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"SINO-SOVIET RELATIONS AFTER THE SUMMIT"

A WORKSHOP SPONSORED BY THE SENATE FOREIGN RELATIONS COMMITTEE AND THE CONGRESSIONAL RESEARCH SERVICE—MAY 15, 1989

PREPARED FOR THE

SUBCOMMITTEE ON
EAST ASIAN AND PACIFIC AFFAIRS

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

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LETTER OF TRANSMITTAL

U.S. SENATE,
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS,
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, February 14, 1990.

DEAR COLLEAGUE: Last May 15, just as Deng Xiaoping and Mikhail Gorbachev were preparing to meet in the first Sino-Soviet summit in three decades, the Committee on Foreign Relations and the Congressional Research Service jointly sponsored a workshop on the future of Sino-Soviet Relations. Today, the Committee is pleased to release the results of this workshop.

The Committee hopes that this report furthers public knowledge on the very important issue of what the prospects and future consequences are for relations between the Soviet Union and China. The Committee also hopes that this report will serve to focus the attention of policymakers on the key economic, political, and security issues surrounding improvements in Sino-Soviet relations, and the policy implications that these hold for the United States.

ALAN CRANSTON, *Chairman.*

LETTER OF SUBMITTAL

THE LIBRARY OF CONGRESS,
CONGRESSIONAL RESEARCH SERVICE,
Washington, DC, December 18, 1989.

Hon. CLAIBORNE PELL,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: I am pleased to submit to you "Sino-Soviet Relations After the Summit," a workshop which the Congressional Research Service conducted jointly with and at the request of the Senate Foreign Relations Committee. The study focuses on the dramatic thaw that has occurred in Sino-Soviet relations in recent years. It discusses the motivations, prospects, and possible consequences of Sino-Soviet normalization as well as its policy implications for the United States.

The study employs five panels made up of noted experts on Soviet and Chinese affairs. The first provides an overview of recent developments in Sino-Soviet relations, placing the issues for U.S. policy into a global context. It is followed by a more specific set of discussions on how changes in Sino-Soviet relations are likely to affect regional developments and actors in Asia, including North and South Korea and Vietnam. Panel III discusses the military implications of Sino-Soviet relations, addressing such issues as the long-term implications for U.S.-China defense cooperation, including U.S. arms sales to China, should Sino-Soviet military tensions be significantly reduced. The fourth panel focuses on the possibilities and ramifications of Sino-Soviet economic cooperation. Finally, this panel is followed by an analysis of overall implications for U.S. policy of improved Sino-Soviet relations, including suggested policy prescriptions.

The panel papers were presented by well-known specialists in their fields. Panels and subsequent discussions were moderated by analysts from the Foreign Affairs and National Defense Division of the Congressional Research Service. Preparation of the text was done by Jacques Cornell. The study was coordinated by Kerry Dumbaugh, Analyst in Asian Affairs, under the direction of Robert Sutter, Chief.

Sincerely,

JOSEPH E. ROSS, *Director.*

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EXECUTIVE SUMMARY

"SINO-SOVIET RELATIONS AFTER THE SUMMIT"

(A Workshop Sponsored by the *Senate Foreign Relations Committee* and the Congressional Research Service, May 15, 1989)

INTRODUCTION

On May 15–18, the paramount leader of the People's Republic of China, Deng Xiaoping, and the Soviet Union's Party General Secretary, Mikhail Gorbachev, took part in the first Sino-Soviet summit meeting held in thirty years. Attention has focused on what post-summit Sino-Soviet relations could produce in terms of a reduction in military tensions or closer economic cooperation between these two powers, and what improved Sino-Soviet relations could mean for the United States.

The current reduction of Sino-Soviet tensions and the likelihood of further improvements in that relationship have important policy implications for the United States. In the broader strategic context, Sino-Soviet rapprochement has implications for what traditionally has been termed the "strategic triangle" of Sino-Soviet-U.S. relations, wherein each of these states was thought to govern its relations toward the other two principally according to what was going on within that triangle rather than on a bilateral basis. Normalization of U.S. relations with China in 1978 and improvements in U.S.-Soviet relations in the last few years already have demonstrated that the "zero sum game" aspect of the historical "triangle" concept has changed. Now, with Sino-Soviet rapprochement, the "triangle" concept is less consequential in U.S.-China-Soviet relations. Instead, specific issues—such as the violent military repression of pro-democracy demonstrations in China's Tiananmen Square or the processes of political and economic reform in the Soviet Union and Eastern Europe—may be significantly more influential in determining U.S. policy toward China and the Soviet Union.

Congressional interest has been strong concerning U.S. relations with China and the Soviet Union individually and about the implications for U.S. policy of future improvements in Sino-Soviet relations. In order to examine thoroughly the implications of improving Sino-Soviet ties, the *Senate Foreign Relations Committee* requested that the Congressional Research Service join with it in conducting a workshop on the issue. Ten experts with different backgrounds and varying viewpoints were brought together to examine the salient questions that improved Sino-Soviet relations posed for the United States and to offer their recommendations for U.S. pol-

icymakers. The workshop focused on the following key aspects of the issue, each of which was discussed in a separate session:

- The Sino-Soviet relationship in the context of changing global relations;
- Sino-Soviet relations and the Asia regional perspective;
- The military implications of Sino-Soviet relations;
- The economic implications of Sino-Soviet relations;
- Sino-Soviet relations and issues for U.S. policy;

Findings

Overall, participants agreed on the basis of and limits to Sino-Soviet rapprochement. But differences of opinion existed on individual issues. These are highlighted under the summary of the discussion of each workshop session, below.

Participants generally agreed that the reasons for Sino-Soviet rapprochement were mutually self-serving and not indicative of military hostility towards the United States or U.S. interests. Each country was seen to perceive the other as preoccupied with domestic issues and, consequently, as less of a military threat. Each was thought to have determined that improved relations would result in lower military costs and increased economic benefits. Finally, each was thought to have calculated that better mutual relations would improve its chances of maximizing leverage over the West as each seeks to join the Western economic system and participate in its benefits.

Participants generally agreed that a number of constraints will limit the prospects for Sino-Soviet relations over the next decade. Sino-Soviet rivalry was determined not to be dead, but instead likely to be transferred to other arenas, including attempts by each to maximize power and influence with specific countries in Asia. Internal economic constraints, including budget constraints and lack of sufficient trade-related infrastructure, will continue to act as obstacles to enhanced trade relations. Finally, the Soviet Union will be constrained from making substantial military concessions to China since its deployments against China in the Far East are intertwined with its defensive posture against Japan and the United States in the Pacific.

Summary of Workshop Proceedings

The Sino-Soviet Relationship in the Context of Changing Global Relations

Two participants were charged with providing a general overview of Sino-Soviet relations, particularly as those relations have been influenced by changing international structures and priorities. These two participants generally considered that Sino-Soviet rapprochement was in part being driven by each country's perceived need for internal domestic improvement. The participants differed subtly but clearly, however, on a number of points in their examination of the evolving relationship.

One viewed the Sino-Soviet summit as an "anticlimax" both in its domestic and its foreign policy implications. In his opinion, not only was the meeting itself simply the final step symbolizing a

decade-long process to resolve past Sino-Soviet problems, but its significance was overshadowed by the political turmoil in China and the serious challenge to that leadership which the democracy demonstrations represented.

This participant judged China likely to continue "leaning toward the United States" despite improving Sino-Soviet ties. He stressed several reasons for this view. Chinese policymakers in the 1980s have sacrificed military and political goals for economic goals, and view hope for China's economic future as linked not with the Soviet Union, which has little capital investment or technology to offer, but with the United States, with Japan and the West, and with other economically vibrant countries in Asia. In addition, Chinese leaders are likely to lean toward the West because they will undoubtedly continue to regard the contiguous Soviet Union as China's greatest potential military threat. Given these limiting factors, this participant expected post-summit changes in the Sino-Soviet relationship to be quantitative rather than qualitative, limited to increased trade, more numerous cultural and political exchanges, and limited joint industrial projects in Northeast Asia. This participant expected no Sino-Soviet working alliance or entente; even the failure of reform policies in one or both countries would be unlikely to affect their foreign policy calculations or their relationship with each other. Both countries will continue to pursue separate foreign policy interests, with mutual foreign policy interests occurring only in limited instances.

While agreeing that future Sino-Soviet relations faced these and other considerable potential limits, the second participant viewed the Sino-Soviet summit as the first step toward a relationship which could grow closer throughout the next decade. Having resolved past differences, this participant said, Sino-Soviet relations could undergo qualitative changes in the future. To some extent, he anticipated, this would occur because of China's growing power and the expansion of its economy, both of which would give China an increased presence and influence in the Pacific, thus offsetting the Soviet Union's presence in the region. But qualitative change could also occur because of Gorbachev's broad, rapid, and fundamental restructuring of Soviet foreign policy goals, particularly in Soviet views of the current security system in East Asia. This trend, in which, according to the participant, the Soviets may attempt to enlist China's assistance to "dismantle the American security system and its ties to South Korea and Japan," will continue to pose challenges for Chinese foreign policy responses. This participant also thought that a decisive breakdown of reform policies in either country could affect their mutual relationship, although both leaderships now appear sufficiently committed to reform that such a breakdown seems unlikely.

Both participants were ready to suggest international contingencies that could affect, either positively or adversely, future Sino-Soviet relations. For instance, China could feel more threatened if the Soviet Union changed its current policy and intervened militarily in Eastern Europe. On the other hand, both countries might feel a need for still closer relations if there were fundamental changes (such as nuclear rearmament) in Japan's military posture and role in the Pacific. Even should these contingencies occur, how-

ever, neither participant saw the resumption of a 1950s-type Sino-Soviet alliance that might prove threatening to U.S. interests. In fact, both suggested that Sino-Soviet rapprochement offered some positive opportunities for the United States, particularly to the extent that it helps in the settlement of some regional conflicts.

SINO-SOVIET RELATIONS AND THE ASIA REGIONAL PERSPECTIVE

The three participants charged with examining the regional implications of Sino-Soviet rapprochement agreed that changes in Sino-Soviet relations could foster significant political and economic realignments in the Asia-Pacific region. None thought the changes would be immediate, as countries like the two Koreas, Vietnam, Cambodia, and Japan are all currently preoccupied with domestic economic and political difficulties. Instead, changes would develop over time. It was generally agreed that, while Soviet opportunities in Asia would remain very limited, China was likely to gain greater influence and leverage in Asia, both because of the growth of its own economy and as a consequence of the scaling back of Soviet support for countries such as India and Vietnam. It was further generally agreed that Chinese leaders understood the potential leverage that would come with normalized Sino-Soviet relations, and would use this relationship to maximize China's influence in Asia.

The participants also generally agreed that improved Sino-Soviet relations will put more pressure on a number of Asian states to change their own policies in response to their reduced ability to maneuver between the Soviet Union and China. For instance, Vietnam, unable to count on continuing massive Soviet subsidies, is expected to feel more pressure to institute economic and political reforms and open up its economy. North Korea could feel increased pressure to come to accommodation with South Korea because of both Soviet and Chinese economic overtures to the leadership in Seoul.

Some of the participants suggested that Japan may feel the most pressure from Sino-Soviet rapprochement, as its own relations with both countries are not good. China and the Soviet Union may perceive Japan as viewing itself as the "odd man out" in the new era of detente, and this may lead both countries to pressure Japan for political and economic concessions in return for improvements in relations. But one participant disagreed, saying that economic pressures on both the Soviet Union and China assure that economically vibrant Japan will be in a position of relative strength, able to demand concessions of its own. The participants generally agreed that, since Japan and the U.S.-Japan security relationship figured prominently in the economic and strategic calculations of both China and the Soviet Union, a continuation of the U.S.-Japan security relationship could be critical in maintaining the American leadership role in the Pacific.

THE MILITARY IMPLICATIONS OF SINO-SOVIET RELATIONS

Discussion of the military implications of improved Sino-Soviet relations focused on two related issues: the prospects for and implications of arms reduction talks between the two countries; and the possibilities for closer military ties and military cooperation. The

two participants tasked with examining these issues generally agreed that closer military relations would be established between the Soviet Union and China as a consequence of the summit, but that these relations would remain limited. Although it was suggested that some individuals within each country's military establishment may favor resumption of a close security relationship, both countries were thought to have more to lose than to gain from reestablishing a Sino-Soviet military alliance.

Some of the natural constraints that will limit Sino-Soviet military relations or military cooperation were attributed to continuing mutual distrust: Soviet military planners' distrust of Chinese motivations, and the Chinese view that the Soviet Union remains China's greatest potential threat. Several participants pointed out that China will be constrained economically from pursuing much military cooperation with the Soviet Union, having limited funds with which to purchase Soviet weapons or technology. In addition, it was thought that Chinese leaders will not want to jeopardize their ability to continue acquiring American technology by developing closer military relations with the Soviet Union—an action which could appear to threaten American interests. One participant suggested that China's sensitivity to American concerns in this respect was illustrated by the deliberate scheduling by Chinese leaders of a U.S. navy port call in Shanghai on the day of Gorbachev's scheduled departure from China.

Despite constraints, it was nevertheless generally agreed that the Soviet Union and China were likely to develop what one participant called a "more militarily correct relationship." Under this scenario, future Sino-Soviet military relations are most likely to consist of further resolutions of tensions along the Sino-Soviet border, including continued border guard cooperation, exchanges of lower-level officers for military training, port calls, and possibly exchange visits at the defense minister level.

The participants also discussed the prospects for and implications of possible bilateral arms reduction talks. At least one participant suggested that the Soviet Union will attempt to draw China into protracted bilateral arms reduction talks, pushing in particular for offsetting mutual military reductions. This move, if successful, could bolster similar Soviet proposals during arms reduction talks in Europe. China, on the other hand, has been reticent in pursuing Soviet arms talk proposals, and as of the date of this workshop had not agreed to the concept of mutual balanced reductions—a proposal which the Soviet Union was said to have suggested at one point. One participant suggested Chinese leaders thought further unilateral Soviet concessions to be likely, both because of Gorbachev's past promises to do so and because the Soviet Union's worsening economic situation appears to demand further military cuts. Another participant thought the key factor for further progress on arms reduction was whether the Soviet Union will add to the list of troop reductions in the Far East any reductions in military hardware and equipment, where they have a significant advantage now over the Chinese.

THE ECONOMIC IMPLICATIONS OF SINO-SOVIET RELATIONS

The two participants who were charged with examining the economic implications of Sino-Soviet relations focused largely on the extent to which Sino-Soviet trade and economic cooperation were likely to change in post-summit years, and on the various constraints and motivating factors that could govern this economic relationship. One participant stated that Sino-Soviet trade and economic relations have already experienced a substantial increase over the past ten years, particularly in large-scale national barter trade and in localized border trade, but that this is part of a pattern of rapidly increasing trade among most countries in Northeast Asia. He predicted, however, that future growth in Sino-Soviet trade is likely to be slower, hampered by a number of constraints, which he discussed. The most important of these constraints will be the difficulties involved in promoting cooperation between the unreformed and still centrally-planned Soviet economic system and the much more rapid-paced, decentralized, and market-oriented Chinese economy. These difficulties doubtless will continue unless the pace of Soviet economic reform increases markedly.

Another participant suggested that a second constraint will be continued Chinese dissatisfaction with the inferior quality of Soviet manufactured goods compared to goods which the Chinese can purchase elsewhere abroad. This second participant stated that future Sino-Soviet economic relations, as Soviet economic relations with most other countries, will depend on Gorbachev's ability to reform the Soviet economic system sufficiently to attract the direct investment of Western countries in the Soviet Union, a step which will be necessary to expand Soviet economic activities in the foreign market. In particular, price reform will be necessary to provide real opportunities for South Korean, Japanese, and American investors. This participant suggested that, at some future point, the Soviet Union under Gorbachev may be willing to experiment with 50-year foreign leases of resource lands, in which foreign managers would assume control over the enterprise, the labor force, wages, bonuses, and other attributes associated with the venture.

Both participants saw a limited number of economically-related educational exchanges developing between the two countries. It was thought that these exchanges would most likely revolve around technical training and engineering programs—such as Chinese technicians receiving metallurgical technology training in the Soviet Union. Neither participant saw the possibility of a broad-based basic educational exchange program such as that which China has enjoyed in the past with the United States.

SINO-SOVIET RELATIONS AND ISSUES FOR U.S. POLICY

The discussion on the broader implications which improved Sino-Soviet relations hold for U.S. policy generally concluded that normalized Sino-Soviet relations held no immediate, critical implications for the United States. It was noted that official U.S. policy appears to have endorsed this view by having expressed "conditional welcome" for the Sino-Soviet summit and support for the lowering of Sino-Soviet tensions. By the same token, participants concluded that over the longer term—that is, through the end of the

century—continuing improvements in Sino-Soviet relations offered both some potential benefits and some potential risks for the United States, and that U.S. policymakers should be prepared to deal with both.

The potential benefits to the United States were considered limited, particularly since they depended upon variables other than closer Sino-Soviet relations. While the risks were more numerous, many of them were considered to be risks primarily if the United States' own relationship with the Soviet Union were to deteriorate.

Many thought that potential benefits could accrue to the United States through the positive impact that Sino-Soviet rapprochement may have on resolving regional conflicts in Asia. This would be particularly true for those conflicts involving Soviet client states who forged relations with the Soviet Union to enhance their own security against China, and who may see improved Sino-Soviet relations as reducing their own influence with the Soviet Union in potential future disputes with China. One participant suggested that the planned Vietnamese withdrawal from Cambodia and the ongoing negotiations for a settlement there are already, in part, a consequence of improving Sino-Soviet ties. Closer Sino-Soviet relations could also result in more pressure on North Korea to reach accommodation with South Korea, a U.S. ally, particularly as both Soviet and Chinese economic interests are best served by seeking to attract investment from South Korea. Finally, reduction of Sino-Soviet tensions could increase the prospects for further arms control agreements, if not globally then certainly in the Far East.

But some participants suggested that Sino-Soviet rapprochement also may have long-term negative implications for U.S. policy. Some thought potential risks derived directly from the Sino-Soviet relationship itself: from the prospects of even limited Sino-Soviet military cooperation where little or none has existed in the past 30 years, and from the possibility that China could accept mutual and offsetting force reductions with the Soviet Union, thus raising negative consequences for the U.S. positions in Soviet arms reductions talks with NATO.

Others saw indirect risks to U.S. policy interests. For instance, with the Soviet threat to both China and the United States apparently much reduced, contentious bilateral issues in U.S.-China relations, such as Taiwan, human rights, and Tibet, may resurface, causing U.S.-China relations to deteriorate. Sino-Soviet rapprochement may cause Asian countries generally to reassess their security situations—or, as one participant put it, "some of our friends [in Asia] will regard the major threats as coming from other of our friends." China could begin to see its principal security threats coming from Japan and India; ASEAN nations could begin to see their principal threat coming from China. This could complicate U.S. policy toward Asia.

Participants generally agreed that the United States should consider taking a number of steps to counteract these possible negative consequences. First, given the predominance of economic concerns to both the Soviet Union and China, U.S. policymakers need to manage the American economy well so that Chinese and Soviet leaders will continue to see their own economic interests as greatly dependent on the Western economic system. Second, the United

States needs to formulate its own arms control proposals and responses to regional conflicts in Asia. Third, U.S. policymakers need to pay greater attention to the management of U.S.-Japan relations, as Japan's economic base and the U.S.-Japan security alliance figure greatly in calculations of future Sino-Soviet relations. And finally, U.S. policymakers need to pay greater attention to contentious bilateral issues in U.S.-China relations, since the "Soviet threat" which originally helped foster close U.S.-China relations will no longer serve to buffer these issues.

The committee owes a debt of gratitude to the participants for their time, effort, and contributions to the success of the seminar. The committee also thanks Kerry Dumbaugh of the Congressional Research Service staff, former committee staff member Hank Kenny, and Richard Kessler of the committee staff.

SINO-SOVIET RELATIONS AFTER THE SUMMIT

MONDAY, MAY 15, 1989

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS AND THE
CONGRESSIONAL RESEARCH SERVICE,
Washington, DC.

LIST OF PARTICIPANTS

SINO-SOVIET RELATIONS IN THE CONTEXT OF CHANGING GLOBAL RELATIONS
ALLEN WHITING, UNIVERSITY OF ARIZONA
HERBERT J. ELLISON, UNIVERSITY OF WASHINGTON

SINO-SOVIET RELATIONS AND THE ASIA REGIONAL PERSPECTIVE
JOHN ENDICOTT, NATIONAL DEFENSE UNIVERSITY
ROBERT ROSS, BOSTON COLLEGE
DONALD ZAGORIA, HUNTER COLLEGE

THE MILITARY IMPLICATIONS OF SINO-SOVIET RELATIONS
JUNE TEUFEL DREYER, UNIVERSITY OF MIAMI
HARRY GELMAN, RAND CORPORATION

THE ECONOMIC IMPLICATIONS OF SINO-SOVIET RELATIONS
NICHOLAS LARDY, UNIVERSITY OF WASHINGTON
JOHN HARDT, CONGRESSIONAL RESEARCH SERVICE

SINO-SOVIET RELATIONS AND ISSUES FOR U.S. POLICY
HARRY HARDING, THE BROOKINGS INSTITUTION

KERRY DUMBAUGH. I want to welcome you all to our workshop on Sino-Soviet Relations, which is being sponsored by the Senate Foreign Relations Committee and the Congressional Research Service. The timing of our workshop is certainly auspicious, for today the General Party Secretary of the Soviet Union, Mikhail Sergayivich Gorbachev, arrives in Beijing for the first Sino-Soviet summit in thirty years. Although much has been written over the last few years about Sino-Soviet relations in general and about the prospects of a Sino-Soviet summit in particular, the predictions on the likely outcome of a summit meeting between China and the Soviet Union have ranged from inconsequential to earth shattering. So our purpose in assembling so many experts from around the country at this workshop today is to try to better understand and analyze what has been happening in the Sino-Soviet relationship over the last few years and why, to try to determine where that relationship is going in the future, and ultimately to discuss what it all

means for U.S. policy and for the United States. The final product of this workshop will be a committee print that we are confident will contribute to this policy debate. I hope that everyone here feels free to participate in the discussion period so that we can all be on the public record.

At this time, I would like to introduce Dr. John Hardt, from CRS, and ask for his opening remarks.

Dr. JOHN HARDT. I am going to wear several hats at this meeting. I'd like to welcome you for the Library of Congress and for the Congressional Research Service. We try to arrange for exchanges and dialogues on subjects of a timely nature. And as Mikhail Sergayivich Gorbachev has just arrived in Beijing, this is reasonably timely. We're not quite sure whether Gorbachev and Deng Xiaoping understand the agenda that we've prepared for them, so during the discussions we may be more erudite and more logical and rational in our comments than they choose to be. But nonetheless it's an interesting time.

I just returned from a meeting in Madrid in which Soviet economic reformer Oleg Bugamolov was my counterpart and in which we were talking about their new Chamber of Deputies. My God, this is an interesting time! Bugamolov was expecting to go on to Beijing with General Secretary Gorbachev because he has attended most of the summit meetings.

It is clear that the parameters that we have assumed in the past as given are now changing, so we have to rethink what are the constants, the givens. As academics, we also have to throw away our old lecture notes and rethink where in the world are we going and what are the new conditions. We cannot over-jump the developments of events, but instead must put them in a framework within which policy makers can operate. In this sense, it seems timely for the Congress to help the Administration reformulate its thinking in a time of very dramatic changes. Hopefully, this effort requested by the *Senate Foreign Relations Committee* will be helpful in the process of policy making, and that's what our organization is set up to do—to help the Congress. So we're delighted that you could come and we hope that we can be helpful to the Congress in this exercise.

Ms. DUMBAUGH. At this point, I would like to introduce Richard Kessler, who is from the Senate Foreign Relations Committee, and ask him to speak briefly about what the Committee's objectives and interests are in this workshop.

Dr. RICHARD KESSLER. Thank you. As Kerry said, I am here representing the committee and we are very satisfied that CRS is holding this session right now, particularly at this time. I notice, at least from my mail, that there are a number of other groups around town that are discussing the Sino-Soviet summit this month. But I think this agenda here today is certainly the most complete agenda that I have seen. The committee is going to be very interested in the final report, which will be published as a committee print. I look forward to seeing the report when it is in draft. I hope that you have a good and highly productive meeting.

PANEL I: THE SINO-SOVIET RELATIONSHIP IN THE CONTEXT OF CHANGING GLOBAL RELATIONS

Ms. DUMBAUGH (presiding). Thank you, Richard. I just want to say a few words about logistics at the outset. First of all, those people who are coming in now please feel free to fill in the empty chairs at the table, so that your remarks during our discussions can be picked up by the microphones here. These microphones are not for amplification; they are strictly for recording purposes.

Since we have a full agenda with many very interesting papers to go through and not much time for discussion, I have asked the panel moderators to be ruthless in how they keep time. Workshop participants can find extra copies of the workshop agenda and papers to be presented on the table near the door. We have four panels today: the Sino-Soviet relationship in the context of changing global relations; Sino-Soviet relations and the regional perspective; the military implications of Sino-Soviet relations; and the economic implications of Sino-Soviet relations. We will have a discussion period after each panel. Discussion will have to be brief but does not need to be limited to the topic of that particular panel; our discussion periods can range throughout the topics that have been introduced all day.

At 12:00 or shortly afterwards we will break for lunch. We will reconvene back here at about 1:30.

Since we are recording this, please try to speak at least in the direction of the microphone, although I don't think you need to be right up next to a microphone. People in the back of the room and in the sides of the room please do the same. Also, please identify yourself whenever you do make a comment.

For Congressional staff members present, if personal identification conflicts with candidness on some point, then please feel free to ask that your remarks not be attributed.

At this point I would like to introduce our first panel, on Sino-Soviet relations in a global context. Its task will be to set out exactly what it is that has been happening over the past few years, both in Sino-Soviet relations and globally, and to determine what impacts these trends have had in how the relationship is shaping up.

Our two panelists really need no introduction: Dr. Allen Whiting from the University of Arizona, author of numerous books, including *China Crosses the Yalu, Siberian Development in East Asia, Soviet Policies in China,* will present developments from the Chinese perspective. Dr. Herbert J. Ellison, Soviet specialist, author of *History of Russia,* a member of the American Association of Advancement of Slavic Studies, and with the Jackson School at the University of Washington, will present the Soviet perspective.

So without further ado, I introduce Dr. Whiting.

STATEMENT OF ALLEN WHITING, PROFESSOR OF POLITICAL SCIENCE, UNIVERSITY OF ARIZONA

Dr. ALLEN WHITING. Ms. Chairman and fellow workshop members, I'm privileged to share my thoughts with you today on the Chinese perspective concerning Sino-Soviet relations in the context of changing global relations. To amend a phrase made famous by former Secretary of State Dean Acheson, I was mentally if not

physically present at the creation of the Sino-Soviet alliance in 1950 when it was the central focus of my graduate work. Having watched this relationship through nearly 40 years, I trust I have learned from my inevitable hits and misses in forecasting the interaction of two foreign powers and may therefore offer some insight on the imminent Sino-Soviet summit.

Since the members of the staff have had my paper in advance I will not read it, but will instead summarize and supplement it with additional observations.

Basically I wish to suggest that despite all the media attention in China and throughout the world, for Beijing and the Sino-Soviet summit abroad, it is anticlimactic in its domestic as well as its foreign policy significance. Ordinarily the Chinese leadership could receive General Secretary Gorbachev in traditional Sinocentric fashion. The cumbersome polar bear to the north, to use Deng Xiaoping's favorite term, has been humbled and forced to accept Beijing's celebrated three demands for normalization: reduction of forces opposite China, withdrawal from Afghanistan, and removal of support for Vietnam's occupation of Cambodia.

In addition China has provided the model for reforming the socialist sinkhole of economic stagnation by decollectivising agriculture and freeing small-scale private enterprise. Best of all, this reshaping of Soviet foreign and domestic policy did not come through Chinese military power, but instead resulted from the moral authority of being right, or so the leadership might wish to believe.

But these are not ordinary times. Beijing has just lived through its most serious challenge to authority, both moral and political, since April 5, 1976. Then its citizenry massed in Tiananmen Square explicitly to eulogize Zhou Enlai, but implicitly denouncing Mao Zedong and his cultural revolution cohorts, later dubbed the Gang of Four.

This year, after the death of Hu Yaobang on April 15, hundreds of thousands massed in the streets of Beijing and a dozen other cities. They eulogized Hu, but they also denounced the corrupt and dictatorial rule of Deng Xiaoping and his cohorts.

Against this momentous domestic development, the Sino-Soviet summit is anticlimactic. Moreover, Mr. Gorbachev's trip is no pilgrimage paying tribute to a Chinese model, at least not for political reform. On the contrary, he is renowned throughout China as having persistently pushed for political glasnost and perestroika, openness and reorganization, precisely where Deng has refused to move. Freedom of the Soviet press, multi-candidate elections, and televised debates of national bodies, have set the model for democratic demands, demands heard across the lines of police that separated the Chinese leadership from the mass demonstrators during two turbulent weeks. In this sense, from Deng's own standpoint he could not have a more unwelcome guest.

The Sino-Soviet summit is anticlimactic for a second reason. It symbolizes the resolution of past problems but it does not raise much in the way of future prospects. Unlike 1950 the Soviet Union is no asset for Chinese national security, but instead is seen as posing a long-term threat. To the extent that the modernization of China's military forces occurs through foreign assistance, Washington—not Moscow—is where Beijing will look.

China will continue its independent stance and not ally with either superpower. Mao's famous dictum of leaning to one side is long gone. But to the extent there is any leaning it will be toward the United States, not toward the Soviet Union.

I do not mean by this to raise the much abused image of a strategic triangle wherein military calculations determine Chinese policy. This is not 1969, when national security prompted Mao to seek detente with Washington to counter the perceived threat from Moscow. Nor is it 1979 when Deng pushed for entente with Washington before taking on Hanoi and possibly its new ally Moscow.

It is 1989 and China's new view of the world puts economic goals ahead of political/military goals in foreign policy priority. Balance of trade counts more than balance of power. Japan, with no nuclear weapons, outranks both the Soviet Union and the United States with their tens of thousands of warheads.

China has not abandoned the political military power game. It has hung tough on Cambodia, playing the Khmer Rouge card to the bloody end. But national security is no longer its number one concern.

Thus Cambodia may have preoccupied Sino-Soviet discussions in the run-up to the summit, but how to manage inflation while expanding production dominates the debate in Beijing. And unlike the first Mao-Stalin summit in 1950, China cannot look to the Soviet Union for economic modernization. Capital for investment, high technology transfer, long-term low interest loans, and expanding markets for export all lie elsewhere. Japan, the United States, the European community, and international financial institutions are central to China's astonishing growth over the past decade. By comparison, Soviet trade and aid have played a wholly negligible role.

Nor is Moscow likely to become a major economic partner in the foreseeable future. Indeed, China's trade with South Korea already rivals that with the Soviet Union, and may well surpass it this year.

The Sino-Soviet summit is anticlimactic in still another sense. Beijing's initial invitation to negotiate outstanding differences came in 1979. Moscow's first positive public response came in 1982. It has taken seven years for the Kremlin to catch up with the White House in 1972 when President Nixon held his historic meeting with Chairman Mao.

This week's event will have more ceremony than substance, as did the first Sino-American summit. But that meeting opened the door to an entirely new relationship with far-reaching implications for regional and global affairs as well as for the two nations. By comparison this summit merely manifests the final step of reconciliation in a relationship that is resistant to any further rapprochement of major consequence for the United States or the world at large.

Admittedly, Mr. Gorbachev will not hear any lectures from his hosts, as did President Bush, on the question of interfering in China's internal affairs. Tibet, Taiwan, and human rights are not on the agenda of Sino-Soviet differences.

Moreover, if misery loves company, the two sides can share as fellow socialists their struggles with rebellious nationalities and recalcitrant bureaucracies.

But one suspects that each side will be relieved when the summit is past and attention can be returned once again to the primary problems they face, which are at home.

A skeptic with some memory might challenge this forecast of Sino-Soviet relations as secondary in Chinese perspectives with the attendant implications for U.S. policy. Over the past 40 years of that relationship our forecasts have repeatedly failed to anticipate the most dramatic developments, much less their significance for American relations with both communist countries. With the exception of a few particularly prescient or lucky individuals, no specialists predicted the split in 1960 or the border clashes in 1969. What assurance do we have that a similar change will not bring Beijing back to the beginning in an entente with Moscow actively aimed against Tokyo and Washington?

The logic against such a development is clear and abundantly argued by analysts here and abroad along the lines I've already stated. In addition there is the bitter memory of betrayal, both perceived and real, in the Soviet failure to support Chinese goals in Taiwan and India during the 1950s and the 1960s. There is also awareness of Moscow's effort to surround Beijing with an alliance in Hanoi and alignment in Pyongyang. Least visible but perhaps most sensitive is the suspicion of Soviet subversion in Xinjiang, China's largest minority population area. In this central Asian region, Turkish peoples of Moslem faith have repeatedly challenged Chinese rule with encouragement, if not material support, from across the Soviet border where fellow nationalities exist.

These logical counters to a close Sino-Soviet entente are convincing in themselves, but logic did not suffice to forecast Mao's challenge to Khrushchev, thereby threatening China's sole source of military and economic aid. Logic did not anticipate Mao's cultural revolution chaos that caused such anarchy both within China and along its borders as to prompt a massive Soviet military buildup. That buildup in turn brought the two sides into minor clashes and major confrontation.

Logic failed in these instances mainly because we were unable to fathom the degree of irrationality in Mao Zedong whose grandiose vision prevailed over that of his colleagues. His ability to force decisions against any opposition and all logic nearly wrecked China's domestic development as well as Sino-Soviet relations.

Fortunately for our forecast today there is no single individual either in power or in the wings in Beijing with a similar ability to push policy to one extreme or another in pursuit of a megalomaniacal vision. Instead, the People's Republic is ruled by a coalition of competing individuals, factions and bureaucratic interests who argue and adjust policy within a set of parameters on which there is consensual agreement. Deng Xiaoping has dominated this coalition over much of the past decade, but he has not succeeded in determining its composition or dictating its decisions. Moreover, his political strength, if not his physical well-being, is fading fast. When he finally leaves the scene we can anticipate a struggle for

power among the competing individuals, factions and bureaucratic interests comprising the extant coalition.

Policy alternatives will inevitably be argued. But the outcome will impact mainly on domestic economic and political reform. Foreign policy per se, in particular China's opening to the world for economic modernization and avoidance of alignment with either superpower, will basically remain unaffected. Too many individuals and interests are bound into this policy for it to be summarily abandoned.

In closing, let me put the argument in its simplest form, hoping it is not taken simplistically. The Sino-Soviet summit is of secondary importance to American policy compared with our separate bilateral relationships with Moscow and Beijing. This is true for Beijing as well as for Washington.

Obviously, we have an interest in Sino-Soviet agreement where it coincides with our policy, as in a peaceful resolution of Cambodia after the Vietnamese withdrawal or in a curbing of North Korean aggressiveness. Other speakers today will detail the specific implications in different regions, perhaps differing with me on various points. But how we address Tibet, technology transfer, trade, Taiwan, and ultimately human rights need not be tuned to the harmony or lack thereof in Sino-Soviet relations.

CHINA'S PERSPECTIVE ON SINO-SOVIET RELATIONS IN THE CONTEXT OF CHANGING GLOBAL RELATIONS

(Prepared Paper by Allen Whiting)

Summary

The Sino-Soviet summit meeting in Beijing is the culmination of China's persistent pursuit of a more balanced relationship between the superpowers while demanding (1) the reduction of Soviet forces opposite China, (2) the withdrawal of Soviet forces from Afghanistan, and (3) Soviet pressure on Hanoi to withdraw from Cambodia. This policy began in 1981 in the context of rising Sino-American differences but was facilitated by the increased American military expenditures which resulted in a military equilibrium between the superpowers.

The policy served China's domestic priority of economic modernization by reducing the need for greater military expenditures and opening up the Soviet Union as another source of trade and aid, particularly in the border regions. It also complemented China's increasing engagement with the international economic order which is seen from Beijing as of greater importance than the strategic balance, development replacing security as a primary concern.

In China's perception of global change, the superpower military stalemate together with serious economic problems in the Soviet Union and the United States necessitated Soviet-American detente. Meanwhile the economic growth and future potential of regional systems in West Europe and East Asia have come to challenge the superpowers' role in world affairs. Military bipolarity has given way to economic multipolarity, lessening the value of "card-playing" in the strategic triangle. Interdependence and regional cooperation provide a stable framework for the future while local con-

flicts replace major war as a threat to stability. Rivalry between the superpowers continues but without direct confrontation, and the cooling of "hot spots" in Africa, the Middle East, and Southeast Asia removes war by proxy as a serious concern.

Sino-Soviet Detente

The evolution of Sino-Soviet detente from 1962 to 1969 has been adequately chronicled and need only be briefly summarized.[1] In 1979 Beijing announced termination of the 1950 Sino-Soviet treaty of alliance but proposed talks without preconditions on steps toward normalized relations separate from the discussion of territorial disputes. Moscow made no major response until 1982. Then, in the aftermath of Beijing's emphasis on "an independent foreign policy not aligned with any major power," accompanied by criticism of the Reagan administration's Taiwan policy, Leonid Brezhnev proposed talks on the border issue and discussion on improving relations.

Beijing remained adamant on "the three obstacles" to normalization, namely a reduction of Soviet forces opposite China, the withdrawal of Soviet forces from Afghanistan, and the removal of Soviet support for Vietnam's occupation of Cambodia. At the same time it noted two tendencies which reduced its sense of Soviet threat. On the one hand, Moscow appeared bogged down in Poland, Angola, and Afghanistan while its domestic economy stagnated. On the other hand, Washington increased its military expenditure so as to restore a sense of equilibrium in the strategic balance that had been threatened in the post-Vietnam period. In this context, should Moscow concede to Beijing's demands, detente could be pursued without any risk.

Despite a somewhat erratic policy in Moscow, largely resulting from the brief and ailing leaderships of Andropov and Chernenko following Brezhnev's death, incremental increases in the level of official exchanges and trade moved Sino-Soviet relations ahead. However the fundamental reversals of policy under Gorbachev, articulated in speeches and manifest in practice, met China's three demands to a sufficient degree as to justify a summit meeting. Meanwhile border discussions resolved most of the disputes in the eastern sector and moved to examination of the western frontier.

In addition to the foreign factors cited in Chinese analyses which downgraded the Soviet threat articulated in the previous decade, domestic factors made detente attractive. It permitted deferring investment in defense in favor of broader economic modernization. It facilitated increased Sino-Soviet trade in the northeast and western border regions, thereby developing local economies remote from coastal trade. Border trade being on a balanced barter basis, no hard currency is necessary. As a minor advantage, the Soviet upgrading of basic industry provided during the 1950s could be cheaper and more rational than the wholesale replacement of such industry with non-Soviet equipment. Finally, the downgrading of dog-

[1] For a complete chronology from the Chinese perspective see Foreign Broadcast Information Service Daily Report, China, (hereafter FBIS) February 17, 1989, pp. 8–14; also Wen Fu, "The Process of Heading Toward Normalization—a Chronology of Major Events in Sino-Soviet Relations (1982–1988)," *Shijie Zhishi*, No. 3, February 1, 1989, pp. 10–14.

matic ideology in favor of pragmatic reforms brought the two socialist systems into similar styles of coping with domestic problems while maintaining allegiance to Marxism-Leninism.

This convergence of foreign and domestic considerations made Sino-Soviet detente both advantageous and necessary. The timing depended on how far and how fast Moscow was prepared to go to meet Beijing's three demands. Fortunately for China, broader Soviet interests at home and abroad coincided with these demands, manifest in the removal of SS–20s from Asia as a result of the INF treaty, unilateral reductions in Soviet forces in the Far East and Mongolia, abandonment of the Afghanistan invasion, and negotiations on Cambodia. The result is a normalization of Sino-Soviet relations but not a restoration of the Sino-Soviet alliance. Not only is the memory of breakdown in that alliance too bitter on both sides to permit its return, but also, from the Chinese perspective, global changes have drastically altered the context and content of foreign policy, thereby reducing the role of superpowers and the strategic balance in favor of new economic alignments and arenas of competition.

China's View of Global Change

It is always risky to impute a single view to a government, especially one that has been characteristically riven with factionalism as has Beijing. Inferring the internal view from external statements is also questionable, given the manipulation of media in communist systems and the universal use of public rhetoric to conceal rather than to reveal the real foreign policy.

Nevertheless, determining the dominant view of global change in Beijing on the basis of published material is justified on several counts. First and foremost, it is in reasonable accord with reality, a situation which has not always obtained, especially during Mao Zedong's ascendancy. This logically follows from Deng Xiaoping's pragmatic insistence that truth is derived from facts. It also corresponds with the elevation of the foreign minister to Politburo membership, the impressively extensive travel of the incumbent, Qian Qichen, and the proliferation of foreign policy analysts and institutes interacting with counterparts abroad and drawing on the widest possible range of foreign publications.

Second, while there is an understandable concordance of thematic treatment in Chinese publications on international affairs, they do not always agree on interpretation and emphasis. Thus the military newspaper, *Jiefangjun Bao* (Liberation Army Daily), offers a more cautionary analysis of Soviet defense developments than do other journals while an outspoken newspaper, *Shijie Jingji Daobao* (World Economic Report), speaks more critically of defects in foreign policy perspectives.[2] While the range of difference is far less than in the discussion of domestic economics and politics where "blooming and contending" prevails, it is sufficient to suggest that concordance reflects consensus rather than an imposed line.

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[2] FBIS, March 1, 1989, pp. 6–7, "Qualitative Buildup on Soviet Armed Forces," *Jiefangjun Bao*, February 20, 1989; also FBIS, December 16, 1988, Hu Huofa, "With The International Pattern Changing Drastically, What Position Should China Take?," *Shijie Jingji Daobao*, December 5, 1988.

Third, there has been an impressive consistency in the evolution of published perspectives over recent years and the evolution of Chinese behavior. More specific treatment of that behavior is offered in other papers prepared for this workshop, particularly those dealing with military and economic relations. This consistency encourages acceptance of public statements and reasonable reflections of inner deliberations.

A unique insight into these deliberations came in a recent interview with Foreign Minister Qian after a Political Bureau discussion on the international situation and China's external work when he remarked, "It is perhaps the first time in many years that the Central Political Bureau holds a special meeting to discuss the question of the international situation." [3] Qian explained the occurrence "because many new changes . . . have to be studied and summed up and the socialist revolution and construction in the country is more and more closely related to change in the international situation."

The Politburo communique described these changes as "from confrontation to dialogues and from tension to relaxations" but dialectically warned of "contradictions and various factors leading to upheavals and tensions not disappearing." It is worth noting that the dialectical approach is the only visible remnant of Marxism-Leninism in Chinese foreign policy analysis while Mao Zedong's thought survives mainly in rhetorical references without substance. Deng's explicit denial of ideology having a determining role in foreign affairs stands in marked contrast with the Cultural Revolution ethos of 1966–76.

The foremost public exponent of foreign policy analysis in China and Director of the Centre of International Studies of the State Council, Huan Xiang, passed away at the age of eighty on February 28. In one of his last writings he called for sounder perspectives and differing views, noting that "explorations and discussions are still not lively enough and in-depth studies of some basic problems in the contemporary world and timely and systematic generalizations about them are still something to be desired. In addition, we are still confined by some outmoded ideas and concepts. One cannot say that this is a concern only in the academic circles." [4]

Huan summarized key changes spelled out at greater length in a series of scholarly articles and authoritative statements marking the end of 1988 and anticipating developments in 1989 and beyond. By characterizing these changes as "historic" and "a turning point," the writers give them major import.[5] Huan noted "the obvious decline in the strength of the United States and the Soviet Union, the rapid development toward multipolarization, and, in particular, the remarkable growth in Japanese strength . . . Military confrontation, in the form of an arms race and regional con-

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[3] FBIS, February 1, 1989, pp. 1-2, *Shijie Zhishi*, No. 2, January 16, 1989.

[4] FBIS, January 10, 1989, pp. 2-4, *Renmin Ribao*, January 5, 1989, Huan Xiang, "Approach Correctly the New Changes in the International Situation," the forward to "Basic Political and Economic Problems in the Contemporary World."

[5] For one of the more extensive and detailed expositions see excerpts from speeches at a symposium on "The General Trend of the Changing World Situation" convened by *Ban Yue Tan* in FBIS, January 15, 1989, pp. 1–4 and February 2, 1989, pp. 3–7 from *Ban Yue Tan*, December 25, 1988 and January 10, 1989.

tention, has now been replaced by confrontation in the form of dialogue and 'crisis management.' Thanks to the relaxation in U.S.-Soviet relations, the world is going to experience relative relaxation for ten to fifteen years."

Huan forecast that "During this period the effects of global political and military confrontation on international affairs will be gradually weakened [while] economic and technological competition will become increasingly intense." In fact, "in a certain sense one can really say that the arms race and military security are being replaced by economic competition and economic security as the most important matters." Within this new frame of reference, "the North America Free Trade Zone; the European Community's unified market; the Asia-Pacific Economic Sphere, which is being vigorously advocated by Japan and which is about to take form; and CEMA are the four major blocs involved in world economic competition."

This quadrilateral economic content is seen differently by others but the main point remains: bipolar military relations are being superceded by multilateral economic relations. Thus instead of four major groupings, Wang Juyi sees "three economic rims" as dominant, omitting the socialist bloc as not in the same league and seeing no Asia-Pacific organization in this century.[6] Instead he depicts "fierce competition for every nation within the Asian Rim" while conceding that "Japan's trade and investment with its neighbors will expand." Rather than lament this trend however, Wang concludes, "That's the way the world economy progresses." His implicit downgrading of the Soviet team in international economic competition relegates Moscow to more of an aspirant than a participant role in the new power game.

From Global to Regional Change

1988 became an "historic year" and "a turning point" for China's mainstream analysts. As Foreign Minister Qian recapitulated it, INF plus Soviet military cuts in East Europe, Mongolia, and overall were good achievements, "hot spots" cooled in Afghanistan and Angola with the United Nations playing a greater role, East-West interactions increased to mutual advantage, the Balkans foreign ministers met for the first time, and Sino-Soviet relations soared to new heights.[7]

Qian's official position probably prompted the cautionary note that there was "no final end to any current regional conflict." However, less inhibited writers put a more optimistic turn on their regional focus. Thus Beijing Radio greeted 1989 with the enthusiastic title, "Let The Winds of Detente and Dialogue Warm Up The World."[8] To justify such optimism it specifically cited the Brazzaville accord on Southwest Africa with the Cuban withdrawal, diplomatic relations being restored between Chad and Libya, Ethiopia

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[6] Wang Juyi, "An Analysis of the Three Economic Rims," *Beijing Review*, Vol. 32, No. 12, March 20–26, 1989.

[7] FBIS December 19, 1988, pp. 1–3, *Renmin Ribao*. December 16, 1988, Qian Qichen, "A Year of Notable Improvement in the International Situation."

[8] FBIS, January 3, 1989, pp. 2–5, Beijing International Service in Mandarin, December 19, 1988.

and Somalia, and Algeria and Morocco. It hailed the Iran-Iraq cease-fire as of "far-reaching significance" and claimed "a breakthrough can be achieved in the Middle East . . . the Israeli authorities cannot stop progress." Only Central America offered nothing to cheer, the United-States being responsible for continued deadlock there.

The promise attributed to Middle East developments by Beijing Radio is explained in detail by a *Renmin Ribao* analyst with an extensive list: (1) 80 countries recognize the Palestinian state, (2) U.S.-P.L.O. talks begin, (3) the U.N.G.A. approves an international conference, (4) the P.L.O. accepts U.N. resolutions 242 and 338 while recognizing Israel exists, (5) Egypt renews relations with the Arab states, (6) relations improve in the Magreb, between Jordan and the P.L.O. and between Syria/Libya and the P.L.O. resulting in an Arab summit agreement on a conference, the P.L.O. and the Palestinian people, and (7) the Soviet Union is working hard with Egypt, Jordan, the Gulf states, and especially Syria and others, promising to recognize Israel if a conference takes place.[9] In this context the United States "has no choice" and Israel not only "must reconsider" but has begun to do so. Admittedly the situation is still "complex" and Israel is tough so a "long period of hard struggle" lies ahead. But this concluding caveat hardly offsets the major thrust of positive prospects.

As for West Europe, "a turning point" in the trend of detente offers an "opportunity which obviously outweighs the challenge" . . . to improve relations with the Soviet Union.[10] Meetings in 1988 by Kohl and Thatcher with Gorbachev, visits by Thatcher to Warsaw and Mitterand to Prague, and Honecker to France symbolized the new era of East-West interaction. A "Soviet fever" in October gave financial substance to this personal symbolism with $6 billion extended in loans to Moscow. Meanwhile the European Community reduced agricultural subsidies and budget problems, moving toward a unified market which will require a unified currency and a central bank. At the same time the EC began formal relations with COMECON, bridging an important gap. As Washington worried aloud about its defense burdens West Europe considered a greater independence and self-determination. In sum, while the basic postwar structure remains, a "European individuality" is emerging.

In this context Chinese diplomats in West Europe reportedly see economics prevailing over politics and "playing-card diplomacy" as obsolete.[11] The Reagan-Gorbachev meetings proved the point. China lost "the balancing role" of the 1970s and there is no triangle to be exploited. Instead policy must be "independent, pragmatic, and flexible," words that echo Deng's admonitions over the past decade.

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[9] FBIS, January 4, 1989, pp. 15–16, An Guozhang, "Why The Momentum of Peace Progress in the Middle East Is So Strong," *Renmin Ribao,* December 26, 1988.

[10] FBIS, January 29, 1988, pp. 7–8, Ma Weimin, "Yearender: Taking the Opportunity to Find a Nev Position in the New Situation—West Europe in the New Situation of Detente," *Renmin Ribao,* December 23, 1988.

[11] Shijie Jingji Daobao. op.cit. The author in the newspaper's Vienna correspondent.

Chinese Expectations

The dialectical approach sprinkles these positive portrayals of specific areas with a liberal dose of caution. A major international affairs journal warns, "Changes have all gone beyond the ability of traditional methods of inference or conventions to predict." [12] Besides this implied attack on Marxism-Leninism-Mao Zedong thought, the observation is buttressed by specific argument. While the "world will experience a relatively long period of relaxation . . . and no great danger of war" exists, regional conflicts continue. The North-South gap is seen as widening. Western economies are plagued with inflation, exchange rate difficulties, rising interest rates, and above all the United States debt. Eastern economies confront inflation and stagnation. The Third World countries bear unpayable debts.

Foreign Minister Qian put it bluntly, "Competition is very acute because the law of selecting the superior and eliminating the inferior knows no mercy." [13] Nevertheless the situation is on the whole promising for China because there will be "a long-term stable international environment so China can concentrate on reform and the four modernizations." Multipolarity frees China to expand its foreign economic ties and opens up "a vast field for vigorous diplomacy" which "serves economics and forges ahead."

Seen from these perspectives, the Sino-Soviet summit is more important for resolving past problems than it is for opening new prospects. In a word, Moscow is simply not that central in China's perception of global change. Nor, for that matter, is Washington so central, much less the Moscow-Washington-Beijing triangle.

This is not to denigrate the tactical shifts of support or opposition that China may address to one side or another in the Soviet-American relationship. Clearly the more that can be gained by bargaining and balancing between the superpowers, whether it be symbolic tokens in third country situations such an Cambodia-Vietnam or substantive concessions in trade and aid, the better Beijing will view dealing with one side or the other. But its sense of the world puts the Sino-Soviet summit in a more modest light than cast on it by foreign media and attention abroad. The great challenge is economic, not military, and the major players are in West Europe, East Asia, and North America, not the Soviet Union. [end of prepared paper]

Ms. Dumbaugh. Thank you very much. Dr. Herbert Ellison will be our next speaker.

STATEMENT OF HERBERT J. ELLISON, PROFESSOR AND CHAIRMAN, RUSSIAN AND EAST EUROPEAN STUDIES, JACKSON SCHOOL OF INTERNATIONAL STUDIES, UNIVERSITY OF WASHINGTON

Dr. Herbert Ellison. I'd like to begin by congratulating the organizer of the conference on the timeliness of the subject. John Hardt, Harry Gelman and I attended a conference in the fall that

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[12] FBIS, December 5, 1968, pp. 3–6, *Guoji Wenti Yanjiu*, No. 4, October 13, 1988.
[13] *Shijie Zhishi*, op. cit.

was held on a similarly timely occasion. It dealt with European communist parties just at the time when the Soviets announced the complete restructuring of the international department, the body that handles relations with those parties. So I'm beginning to think there's a talent in Washington for such skillful timing of events.

As there is not time to read the paper, I would like to offer some improvised remarks on a few key points I've tried to make in it.

The first remark—and here I borrow an idea from John [Hardt's] opening remark—is the incredible speed of the global restructuring of Soviet foreign policy—I use the adjective "global" both in the geographic and in the substantive sense. The process has moved so broadly and rapidly since Gorbachev came to power that it's difficult to keep the component parts in perspective, to develop a sense of the interrelationship between foreign and domestic policy, and to relate this in turn to key areas of Soviet bilateral and regional relations.

Another important point is that the undergirding ideas and concepts have been in such ferment and rapid change that it is difficult to see the implications of the changes for specific foreign policy questions. I suspect that the Soviets themselves have some difficulty in discerning the implications of changed concepts for specific policy questions.

I have in mind the general reevaluation of Soviet policies toward other communist parties. The new relationship to other communist parties, governing and nongoverning, is so different from what it was four years ago that one must keep that difference in mind to understand Gorbachev's thinking as he's approached the relationship with China.

China achieved a very impressive end-run in the area of inter-party relations the '70s and the early '80s by simply seeking bilateral ties with the key communist parties, particularly the reforming parties of Eastern and Western Europe, and putting pressure on the Soviets on questions of inter-party relations and foreign policy. But, Gorbachev, having restructured the Soviet policy toward the foreign parties, and having affirmed the principle of autonomy of communist parties and states, now promised a wide range of freedom to the East European party leaderships and to East European reform, stating repeatedly to the Chinese that he had abandoned the interventionist legacy of the Brezhnev doctrine.

It seems to me that a major aim of Gorbachev's policy is to make the communist movement an effective instrument of his foreign policy. And, I think this is precisely what he's accomplished. If one watches his recent use of the communist parties of Western Europe and East Asia, especially in relations with noncommunist political parties and other movements, one discerns his purpose—to build a broad united front in support of Soviet policy. This effort, combined with changes in Soviet policy, including the new approach to China, has dissolved the bloc forming against the Soviets and co-opted its members for the new Soviet policy.

Historically, of course, the link between relations with foreign parties, governing and nongoverning, and Soviet foreign policy has been a very close one. It continues to be. But Gorbachev has

learned from the errors of the past and is trying to build a new kind of instrument.

China, of course, was central to the process. As the other giant state of the communist world, China had provided an alternative focus for parties dissatisfied with the Soviets. Gorbachev could put an end to the problem by reconciling his differences with the Chinese.

A second important element of the policy restructuring, and its impact on the relationship with China, is the changing attitude toward communist revolution. Allen Whiting spoke of the fact that the Chinese have conducted a skillful policy in bringing the Soviets to accept their terms on the three obstacles. I think it's useful also to emphasize that the Soviets have reevaluated these issues independently of their China policy. We know they had suffered defeat in Afghanistan and were eager to cut their losses there. Reconciliation with China could only help, especially if it brought reduction of Chinese support for the Mujahedeen following the withdrawal of Soviet troops.

Similarly, the Soviets, while they were pressed to accept Chinese conditions on Cambodia, were changing their Vietnamese policy because of the failure of the Vietnamese economy and the power of the Cambodian Resistance. Resistance to Soviet-supported Third World revolutions was a severe problem from Cambodia to Afghanistan, Africa and Central America. It had encouraged much "new thinking" about the legacy of policy supporting Third World liberation movements.

On questions of security, the revised Soviet view emphasizes the mutuality of security needs and is prepared to accommodate the concerns of neighbors in a way which previous security policy was not. A German specialist called the former policy "maximum security for them and minimum security for ourselves." That approach has obviously been seriously revised, and the revision applies to China as much as to NATO.

In speaking of contemporary Soviet foreign policy it is also important to stress the ways in which internal changes—Gorbachev's domestic reforms—are influential. These reforms have shifted Soviet attitudes toward reform in Eastern Europe, particularly in Hungary and Poland, have transformed the Soviet attitude toward the Italian party and, in Asia, toward the Chinese Communist Party. These parties have provided the Soviets with a set of ideas and models with which they have now become closely identified. This is a key element of the Gorbachev shift that makes the opening to China so much easier and so much more successful.

When one sketches these general points, it seems to me also interesting to take note of what I would call the *annus mirabilis,* 1988, in which so much came together in Soviet policy, domestic and foreign.

What I have in mind here is that if one follows the Soviet statements of position on economic reform in the course of 1988 it moves from a very cautious, still quite qualified acceptance of reform notions to a whole series of breakthroughs, a breakthrough in attitudes toward both industrial and agricultural policy. During 1988, the Soviets moved toward the Chinese model of economic

reform, a fact which explains much of the changing perspective on China and on the Chinese reform process.

Secondly, the Soviets rethought fundamentally the question of Cambodia, a process resulting from accumulated dissatisfaction with the economic conditions in Vietnam, with Vietnam's policy in Cambodia, and a conviction of the primacy of the task of achieving a breakthrough in relations with China. Particularly from September on, the Soviets seized the deal with Deng Xiaoping which he had been offering for a long while but which the Soviet reticence had made impossible to achieve.

To summarize, the fundamental rethinking of major aspects of foreign policy and the changes in the attitude toward internal reform issues brought a broad change of Soviet policy that has made possible the new relationship with China.

Let me list very briefly what seem to me to be the openings that this has created for the Soviet side and, if time permits, a little bit about the complexities that these changes pose for American policy.

First of all, the changes strengthen the prospect for reform in both countries. The positive interaction on reform is one of the most fundamental facets of the new Soviet-Chinese relationship. The fact that the two major powers are in agreement on the approach to economic and other reform is enormously important, and it has broad impact within the communist movement, as resisting parties like the Czechs, North Koreans, and others fully appreciate.

Secondly, it creates the possibility of greater support for Soviet foreign policy initiatives from other communist parties including the Chinese. It opens up the possibility of settlement of regional conflicts, as we've already seen, in a new way. It improves Soviet relations with the states of Southeast Asia, particularly ASEAN states, which are of great interest to Soviet policy. It opens up a wholly new Soviet approach to South Korea which follows the Chinese example and raises some very interesting questions about the future role the Soviets assign to South Korea in their whole strategy of economic development and economic relations in East Asia.

I anticipate a developing Soviet Asian economic strategy which will bring increased ties to China, building on the existing ties with Chinese Inner Asia and Heilongjiang Province, border trade as well as the bilateral trade. As I've mentioned already, the emphasis on South Korea is likely also to be increasingly prominent in Soviet economic policy.

And finally, the whole process is closely tied in with the Soviet perception of the future of their plans for the security system in East Asia. The point is often made, and I think should be made, that as this process of change has proceeded what has been omitted from the discussion is the fundamental question of the U.S.-Soviet-Japanese security relationship in the Pacific. The Chinese clearly (and perhaps perfectly justly) have emphasized their own regional concerns, their own border security questions. But as the Soviets aim to coopt the Chinese as a partner in pursuing their own vision of the Pacific security system, it's going to be very important for the Chinese to define their relationship to this process of change, to decide where they're going to stand when the Soviets try to dismantle the American security system and its ties to South Korea

and Japan, emphasizing the reduction of naval forces and of nuclear forces, precisely those elements which are central to the whole American security structure in Asia and the Pacific. If this policy is successful it will emphasize still further what Americans already perceive as an asymmetry in the security structure of the region.

So from the U.S. point of view, it seems to me that the security question poses some very difficult problems, not just for the U.S., Japan and South Korea, but for China as well.

The shift of Soviet policy, comprehensive as it is, also opens up some very positive opportunities for the United States. Allen Whiting emphasized these, and I won't repeat them. Obviously the settlement of some of the regional conflicts is in the interest of the United States. Obviously, too, the new emphasis of the Soviets upon building an economic relationship with the states of East Asia and the Pacific can be a benefit to the region. Whatever one can point out of the structural limitations of the Soviet economy, and the capacity to achieve large objectives, the intention and the opportunity are there.

For the U.S. this is an opportunity. There is an opportunity, too, for the restructuring of relations with South Korea, with Japan, with Vietnam, and to take advantage in that process of the openings created by the dynamism and the flux of the political system in Northeast Asia which this global restructuring of Soviet policy has set in motion.

I would conclude with one point that seems to me important in discussion of the Sino-Soviet relationship today. Observing the relationship from the Soviet side, one sees that until the last three years, and particularly the last year or 18 months, the initiative has been in Chinese hands. But, in the very recent period the initiative has been in Soviet hands. And the use of that initiative by the Soviets, the vigor of their approach to East Asian policy, is only just beginning to become apparent. I would anticipate a whole set of new initiatives following on those that have already appeared in the last year. Gorbachev is going to give East Asian policy some of the dynamism in substance that has been substantially limited to words until the last 18 months. The aftermath of the Sino-Soviet summit is likely to pose major challenges to the states whose interests intersect in Northeast Asia.

SINO-SOVIET RECONCILIATION AND SOVIET FOREIGN POLICY

(Prepared Paper by Herbert J. Ellison)

A New Relationship

The current Sino-Soviet reconciliation is one of the most significant developments of the Gorbachev foreign policy. A quarter of a century of conflict with China had a powerful impact upon Soviet policy, limiting options and frustrating policy initiatives. The conflict had a profound impact on the Soviet role in world communism; it influenced the structure and aggravated the problems of Soviet Third World policy; and it helped to form the pattern—much of it negative—of Soviet relations with America and the American-led alliance system. Thus to analyze the ways in which

resolution of the conflict has influenced international politics, and may influence them in future, it is useful to begin by reviewing the main issues that have figured in the reconciliation. Among other things, this approach helps to suggest what opportunities an improved relationship offers, and how the Soviet leadership is likely to make use of them. It also reveals elements of continuing friction and conflict that are likely to remain a part even of a greatly improved relationship. And finally, it aids in placing the dramatic changes in the bilateral relationship in the context of current East Asian and global politics.

Seeking Reconciliation: Borders and Arms

Five major issues have figured prominently in the process of Sino-Soviet reconciliation: (1) borders; (2) military deployments and security policy; (3) roles in regional states, especially Afghanistan, Vietnam, North Korea and Mongolia; (4) the Soviet role in relations with other communist states and parties; and (5), internal policy.

The issue of borders has come a long way toward settlement. The Soviets doubtless find the Chinese reference to settlement "on the basis of existing treaties" an unpleasant reminder that China is still dissatisfied with those treaties, but the agreement on details within the existing system (except for the western section in the Pamirs) is now far advanced. Similarly, the Soviet reduction of forces in Mongolia and along the border has been matched by China's shift from active pursuit of security cooperation with Japan and the United States in the late 70s to a balanced and quite independent position within the four-power system that now prevails in Northeast Asia.

The Gorbachev approach to security relations with China has been very similar to that with Western Europe; namely, recognition of the mutuality of security needs, and willingness to recognize the basis of Chinese complaints about the scale and location of Soviet deployments in Mongolia and along the border. The Chinese concern is not unlike that of the NATO powers which object to the offensive capability of the large Soviet forces in Central Europe. Soviet regional air, missile and naval power remain unchanged, but are chiefly directed at, and countered by, the U.S. and Japan. Thus the security dimension of the reconciliation with China has involved chiefly the reduction of Soviet ground forces. Significant changes in overall numbers have yet to come, though Gorbachev has given notice to the military that the old basis of calculation of need—"strong enough to offset the combined capabilities of any potential coalition of enemies"—no longer applies. Total forces in the Far East remain at about 1 million, half of these intended for border defense, and the potential for reduction is large. Announcement of the changed view of Soviet security needs is probably reassuring to the Chinese; more tangible change is apparent in the reduction of forces in Mongolia and the sharp curtailment of border military exercises (land and air) which had been highly provocative.

Except for the SS–20 missiles, on which the Chinese have been satisfied by the INF treaty, other dimensions of the Soviet military-

strategic role in Northeast and East Asia seem to have figured less in the Sino-Soviet reconciliation process. What the Chinese have gained is a reduction of the direct challenge of Soviet force deployments that threaten the security of North China, especially Manchuria and Beijing itself.

The Soviet concessions have contributed significantly to improved relations between the two powers. On the other hand, the Soviets remain a formidable military power in the region with vast and unreduced deployments of aircraft, missiles and naval forces and an expanding presence in the Pacific which uses cooperation with North Korea and Vietnam to obtain the means of bypassing the American and Japanese security system. China therefore remains concerned about Soviet military power in Northeast Asia and the Pacific, and will continue to regard the American presence, and American-Japanese security cooperation, as an indirect instrument of that policy. It is important to recall that the earliest phase of the Sino-Soviet conflict was strongly influenced by Chinese concern about Soviet military-strategic moves in Northeast Asia; the Chinese are likely to watch closely the trends of Soviet military and strategic policy in East Asia, even as they also express concern about Japanese rearmament.

Regional Disputes

Differences between China and the Soviet Union over Soviet policy in regional states have focused on Afghanistan, Vietnam, Mongolia and North Korea. In each case there has been a major shift of Soviet policy under Gorbachev that is generally well received by the Chinese.

The Soviet role in Afghanistan, especially following the December 1979 invasion, was doubly unacceptable to China: as a pattern of Soviet military intervention in the affairs of a fellow communist state; and as an extension of the Soviet military presence into a state bordering on China in a way that increased opportunities for applying military pressure to Chinese territory and greatly expanded the Soviet strategic role in South and Southwest Asia. The end of the intervention, and the withdrawal of Soviet troops, has removed a major irritant in Sino-Soviet relations. The warfare and political instability following the Soviet withdrawal leave important questions unsettled, and mean that new Sino-Soviet differences could develop over policy toward Afghanistan. However, given the Soviet experience of nine years of war, and the prevailing negative evaluation of the policy in Moscow, a return of Soviet troops seems highly unlikely, and it was mainly the Soviet military presence to which the Chinese objected. Moreover, the Soviet leadership appears to have reevaluated the desirability of intervention in general, preferring to leave foreign communist leaders to work out (or not work out) their own problems, eschewing direct military and political intervention.

The Gorbachev policy toward Vietnam on the question of Cambodia has responded convincingly to Chinese objections. In his Vladivostok speech in July 1986 Gorbachev abandoned the pretense that the Soviets had no role, and that China must deal with Vietnam directly over the Vietnamese occupation of Cambodia. From the

Soviet viewpoint the Vietnamese policy was not only a vital obstacle to Soviet-Chinese reconciliation which had become the central objective of Soviet Asian policy; it also carried heavy costs—both the direct costs of occupation and the indirect cost of retarding needed Vietnamese economic reform. Moreover, the alienation of Thailand and other ASEAN states thwarted Soviet efforts to build friendly ties in the region. The announcement that Vietnam will remove all of its troops within a few months is doubtless a significant boost to Sino-Soviet reconciliation, and to larger Soviet policy aims in Southeast Asia, a region in which the Soviets have launched a major diplomatic offensive.

The friction over Mongolia concerned chiefly Soviet troop deployments there and the lack of any Chinese presence. The restoration of Chinese diplomatic representation (and the broadening of Mongolian diplomatic relations generally, including those with the United States) has responded to this complaint, while the reduction of Soviet force levels has also been important to the Chinese, possibly as a symbol of a less dependent Mongolia. Elsewhere in Inner Asia, the restoration of cultural and economic ties between Soviet and Chinese territory in Inner Asia is an important element of the new relationship.

Korean Complexities

In the early stages of the new Soviet policy toward North Korea the policy appeared to serve two major objectives: 1) the Soviet military/strategic buildup in East Asia and the Pacific, still the dominant theme of Soviet policy at that time (the Soviets were supplying military equipment to North Korea in exchange for use of port facilities on the North Korean west coast and overflight rights for communication with Soviet bases in Vietnam); and 2), the expansion of Soviet influence in Pyongyang in anticipation of a succession to Kim Il Sung.

Soviet Korean policy has changed considerably under Gorbachev. The policy is much more complementary to that of China: pressing the North Koreans toward economic reform and a more flexible foreign policy, using Pyongyang's economic and military needs for leverage; and encouraging the DPRK to seek dialogue with the leadership in the South. Meanwhile, the Soviets are following the Chinese lead on another matter, seeking expansion of their trade and economic cooperation with South Korea and working toward establishing an influence on South Korean opinion and policy at a time of transition in Seoul's domestic and foreign policy.

The consequences of the change in Sino-Soviet relations for the Korean peninsula are thus already highly significant, and are bound to be more so with the passage of time. North Korea finds itself unable to play the familiar game of the past, setting her giant neighbors against one another to secure concessions from both and to protect an independent policy. At the same time, the DPRK leadership is under pressure from both the USSR and China to pursue a reform course. Kim Il Sung may dismiss that recommendation contemptuously, but over time the Soviet and Chinese pressure are bound to encourage others in the North Korean leadership. Similarly, Soviet and Chinese pressure for a new policy

toward the South will also be influential, limiting Pyongyang's aggressive policy and encouraging a positive response to gestures from the South. These trends could well combine with the increased South Korean anti-Americanism, and pressure for withdrawal of American forces, and the strong sentiment for reunification, to accomplish a shift of South Korea's foreign and security policy.

Sino-Soviet Rapprochement and World Communism

One of the most important consequences of the Sino-Soviet reconciliation is its affect upon the relations of the two states within the world communist movement. From the late fifties to the early eighties the Sino-Soviet conflict, in its various stages, contributed enormously to division and conflict within world communism. It brought the formation of Maoist parties or party fractions, hostile to Soviet-oriented parties; it supported a schismatic and radical communist revolutionism in Third World countries; it encouraged and aided a wide resistance to Soviet authority and policy in the movement from party leaderships as varied ideologically as the Albanian and Romanian in the 60s and the Eurocommunists and reformist East European parties of the 70s and 80s. Recognizing their problem the Soviets tried repeatedly to form a broad united front within the movement against the Chinese, but with little success. Even parties hostile to Mao and all his works found the battle of the giants served their own efforts to gain greater independence from the Soviets—or from both the Soviets and the Chinese. North Korea clearly found the division useful for maintaining independence of both China and the Soviet Union. Vietnam, in the wake of its victorious war, exploited Soviet conflict with China to gain support of its imperialist designs in Laos and Cambodia.

It seems likely too that the split was a discouragement to reform in the Soviet Union and that it eliminated a constraint upon Maoist radicalism by removing a tie with a more conservative Soviet ideological position. Probably the Suslovite ideological rigidity of Soviet communism of the Brezhnev era was greatly reenforced by anxiety about the volatility of Chinese policy and Chinese hostility, both in the 60s and 70s. That in turn encouraged Soviet resistance to the rightist revisions of communism in both Western and Eastern Europe during the 70s.

The main elements of the situation since the reconciliation are that one has both a spirit of friendly cooperation between the Soviet Union and China and a shared commitment to broadly similar policies of reform. It is a powerful boost to reformist currents in all other communist parties, governing and non-governing. It has weakened the external support of conservative leaderships such as those in East Germany, Czechoslovakia, Romania and North Korea. It has created pressure for changes in both foreign and domestic policy in North Korea and Vietnam, and it has deprived smaller communist states and parties of the chance to play off one communist great power against the other for their own program purposes. It has also combined with the change of internal priorities in both China and the USSR to reduce support for export of revolution. Soviet encouragement of the withdrawal of Cuban

forces from Africa and Vietnamese forces from Cambodia are an expression of the change.

The pace and scope of the reconciliation of Soviet and Chinese conflict within the world communist movement during the Gorbachev era clearly result mainly from changes in the Soviet policy. The Soviet position on Chinese reform has changed from criticism to emulation. And the habit of closely monitoring the non-governing parties, and frequently intervening in their internal affairs, even to the point of sponsoring splinter parties, has given way to a judicious detachment from intra-party faction fighting and an endorsement of the concept of full independence of communist parties, both ruling and non-ruling.

It is likely that the new Soviet policy, and the new Sino-Soviet relationship, will strengthen the unity and effectiveness of the communist movement globally in many ways, but there are important qualifications to be added to this optimistic prognosis.

First, though at the moment the reform forces are dominant in both countries, and their influence is the most powerful in the world movement, opposition to the reform course remains strong in Russia and China and is dominant in the leadership of many other countries. A failure of reform, and of reform leadership, could change the equation radically. Secondly, pursuit of the present foreign policy is highly unpopular with Third World revolutionary communist leaders and their patrons, such as Kim Il Sung and Fidel Castro. There is, in other words, a significant cost to the policy. Clearly the present Soviet leadership reckons that the gains from the policy far outweigh its costs.

The Friendly Triangle: A First

It is highly significant for regional and global politics that the Sino-Soviet reconciliation coincides with a broad Sino-American rapprochement, the first occasion since the creation of the Chinese People's Republic when both have had good relations with the United States and its allies. Khrushchev's rapprochement with the United States was firmly opposed by the Chinese, and the Sino-American reconciliation in the 70s found the Soviets odd man out, with a short-lived U.S.-Soviet detente shattered by Soviet moves in the Third World, Poland, and nuclear arms. The changes in both Chinese and Soviet foreign policy, connected with and greatly reinforced by domestic policy changes, open up new opportunities not only for settlement of bilateral disputes, and for cooperation on internal reform and reform within the communist movement as a whole, but also for contributing to the settlement of regional disputes and tensions. They also represent a major threat to the stability and coherence of the existing U.S. alliance system and a challenge to redefine U.S. policy.

For the United States, China, Japan and South Korea, there remain major security concerns to be negotiated with the Soviets, negotiations which will test the purposes, imagination and courage of all parties. The vast distances, thin population and vulnerable communications lines in the Soviet Far East are a constant security concern—one that makes the Soviets, for example, very hesitant about Chinese claims to border territories such as Heixiazi Island,

overlooking the Soviet Far Eastern Military District headquarters at Khabarovsk. At the same time the Chinese can and do object to the size of Soviet regional forces deployed so close to vital Chinese population, industrial and administrative centers. Similarly, the Soviet naval, air and missile forces continue to threaten Japanese security. And again, the Soviets regard retention of the islands claimed by Japan as part of their security buffer for their nuclear submarine bases in the Sea of Okhotsk (with missiles aimed at the U.S.), while Japan wants the islands returned and the U.S. seeks reduction of missile deployments.

Gorbachev has greatly changed the rationale and the style of Soviet foreign and security policy, and much improved relations with the major regional powers of Northeast Asia and with the United States. Yet in matters of security and arms, there is still little substantial change. How far this process is able to go will be very heavily dependent upon the broader picture of Soviet foreign policy, and especially Soviet-U.S. relations. It will also depend on the response of China and Japan to Soviet efforts to increase cooperation without further significant alteration of Soviet force deployments or territorial concessions. In brief, the challenge to U.S. policy is, and will continue to be, to respond constructively and imaginatively to the new Soviet policies—Sino-Soviet, East Asian and global—in a way that maintains a valid correlation between concessions from the Soviets and concessions to them.

The brilliant new Soviet diplomatic leadership has clearly rethought the fundamentals of Asian policy, and the "new thinking" allows for serious changes of style and substance. The image of the menacing colossus has been replaced by that of the peacemaker and trader. The new image, conveyed by the traditionally formidable apparatus of Soviet propaganda but greatly enhanced by the communications skills of Gorbachev and his vigorous colleagues, could easily mislead, encouraging concessions that rush beyond the reality of Soviet policy change, particularly in security questions. Past Soviet intransigence almost dictated unity of opposition states; the new image, combined with a policy of friendly approach to all parties, including the U.S. and U.S. allies, is well-designed to allow what the Soviets used to call the "internal struggle and contradictions" of the American alliance system to come to the surface: nationalism and anti-Americanism; economic competition; resentment at real or imagined failures of U.S. leadership; and an unseemly competitive rush to profit from new opportunities for trade and investment. The danger is that such currents could combine with a broad perception of the decline or disappearance of the security threat to dismantle prematurely a needed structure of security cooperation.

But while the Soviets will likely make many gains from the new policy, there clearly are limits to their opportunities. The foremost barriers are issues of economy and security. Chinese, South Korean and Japanese leaders still emphasize an impressive list of security issues for future negotation, and for the Japanese these are closely tied to a territorial issue—the northern islands. And while the Soviet economic relations with China are growing steadily, even for that country trade is smaller than its trade with South Korea. The Soviets have made the barest beginning in rectifying the failures of

an entire generation in development both of their own Far Eastern economy and of its ties with East Asia, and the Japanese press, among others, is filled with cautionary tales about the difficulties of investment in the Soviet Union.

The Gist Of It

There is little doubt that the new Sino-Soviet relationship is better not only for the Soviets, but for all parties in the region. It strengthens the prospects of reform in both countries, and in the world communist movement; it improves the chances for stabilizing, and eventually reducing, arms; it expands the prospects for peaceful settlement of the protracted division and conflict in Cambodia, and creates an improved environment for relations between North and South Korea. If it imposes equally impressive demands and risks upon American policymaking, at least the opportunities are brighter than in "the era of stagnation" (which scarcely seemed that to American security planners!).

The challenges to U.S. policy make an impressive list. Foremost among these will be the development of a new China policy for operation within the changed Soviet-American-China triangle; the development of a policy that will accommodate the rapid political and attitudinal changes in South Korea as that dynamic state develops a new political structure and regional role, especially in relations with the North and with the Soviet Union; a policy toward Japan that maintains vital security cooperation and reduces the lopsided sharing of roles, even as it controls economic conflict and allows for major changes of the Japanese role in Asia and the world; and last, but certainly not least, a creative and cooperative response to sound Soviet initiatives, seeking translation of "new thinking" into serious security cooperation, and welcoming and facilitating the greatly expanded engagement—economic, cultural and political—which it so earnestly seeks.

The Gorbachev-Deng meeting is clearly one that Gorbachev sees in a perspective of both Soviet regional and global policy. He wants to strengthen the growing Sino-Soviet cooperation within world communism, using China as a powerful ally of reform both in the Soviet Union and in other communist states and parties. He will seek China's cooperation in dealing with the Korean peninsula, Japan, Vietnam and Afghanistan, and will wish also to coordinate policy toward the United States and the Western alliance, particularly on questions of arms in East Asia. And he will seek to expand and broaden trade and economic cooperation. He will enter a China in political and social ferment, no less than that in his own country, and he will recognize not only the new dynamism and power of contemporary China but that the rapid changes in that country pose challenges for the Soviet Union as great as those for any of China's neighbors, or for the United States. [end of prepared paper]

Ms. Dumbaugh. Thank you very much to both our panelists for finishing well within the time period.

I'd like to open up the floor now for discussion. Dr. Gelman.

Dr. HARRY GELMAN. I have three footnotes to make to the very able remarks made by our two speakers.

First, this question of the three obstacles and whether they've been satisfied or how they've been satisfied. I think it useful to put down a marker for future discussion to note at least my view that these obstacles have not been something which has been fixed, unambiguous. They have been continuously modified over the last decade. And in fact one of the important political facts is that the Chinese have been continuously redefining them in the course of their political interaction with the Soviet Union, and rather spectacularly, in my view, whittled them down in the last year, particularly in regard to the implicit conditions for a summit which have been posed over the Cambodian issue.

Earlier they had redefined the condition for obstacle number one, regarding the Sino-Soviet border, as the prospects improved for some Soviet movement on the issue eventually. They tempered this condition down.

More recently, I think, in regard to Indochina, the Chinese have moved away from a previous tacit insistence that a settlement accord with their demands. They are now increasingly faced with a situation where objective factors are moving events toward a settlement much closer to Hanoi's desires than to Beijing's. The Chinese have nevertheless removed a congenial Indochina settlement as an essential condition for a summit. They have done this for very good political reasons, relating both to Gorbachev's overall behavior toward them and to his dealings with the United States.

Secondly, regarding the issue of whether this summit is going to be very significant. I have a few caveats on this matter. I discuss the question in my paper, and I won't go into it in any more detail now, but I think there are some very significant issues about which we will know a little more in a few days. First, what is Gorbachev going to say regarding the structure of the force reductions that he's promised in East Asia? And secondly and almost equally important, what is going to happen with regard to the military commissions—the joint Sino-Soviet military commissions whose existence Shevardnadze has been advertising and the Chinese have been tacitly denying. The framework that Shevardnadze has been postulating for those commissions could well have serious implications for U.S. interests elsewhere in the world, both in Europe and with regard to Japan. That's all I'm going to say on the matter now; that's just a marker for this point.

Third, the question of the interaction of Sino-Soviet reform movements that Dr. Ellison mentioned. I would say: "Yes, but—." The problem is that, first of all, reform in the two countries is out of sync. As many people have remarked, the Soviets have gone much further in the direction of political reform than China, and this is in fact a very topical and pressing issue in Beijing right now. There's the striking fact that whereas previously a lot of people in China's Politburo felt that the West, and the United States in particular, was a source of subversive influence—and we saw this dramatized most recently during President Bush's visit—now it has been brought home to them very dramatically that Gorbachev is, too. On the other hand, some of the adverse things that have occurred in the Chinese economy in the last year or two are bad

news for Soviet economic reform and are therefore things Soviet leading economic reformers don't want to talk about frankly. Try to get Mr. Bogomolov, for example, to talk about the evidence of inflationary pressures in China, what's happened in the last year—it's a non-subject, because it's bad news, and can be used against them, against what they want to be accomplished in the Soviet Union.

How it will work out in the long run remains to be seen. The process of interaction over reform is getting increasingly complex, and whether Chinese adverse economic experience is going to have any effect on the degree to which Gorbachev moves ahead economically remains to be seen. Whether Soviet political reforms will now be a bigger factor in the Chinese political scene also is unknown.

Ms. DUMBAUGH. In reading your paper, Dr. Ellison, I did have one comment. Both you and Dr. Whiting mention something that is generally accepted in Washington. That is that the reform programs of both the Soviet Union and China are helping both countries move closer together, that this domestic preoccupation with reform is driving their respective foreign policies to a great extent. Dr. Ellison, you say in your paper that a failure of this reform agenda and of the reform leadership could change the whole equation very radically in terms of Sino-Soviet relations. This is exactly the question that I think U.S. policy makers are asking, and what they want is a prediction. Is the reform agenda going to fail or isn't it? And what if reform just begins to unravel in one country? We just heard Harry Gelman saying how out of sync the reform programs were. Is the failure of part of the reform program in one country—for instance, of a political reform program in China—going to have an impact on Sino-Soviet relations and on each country's foreign policy approach? Could both you and Dr. Whiting comment a little bit on this?

Dr. ELLISON. The question you pose really relates very closely to what Harry has just said on the economic question. I agree and disagree with what you're saying, Harry, on the economic question. I am struck, in reading the Soviet commentary on Chinese reform (not only by the economists but by Sinologist Deliusin's interesting recent article in *Asia Survey*) by the sophistication of the analysis of the complications of the transition from a command to a market economy, and by the recognition that it's going to be difficult.

Having spent (with Bob Ross) a few days in Beijing recently, and reading the *China Daily* faithfully, I was struck by the relaxed way in which they talked about the inflation, about the other complications of the economic reform process. I realize there's very often in the official press an attempt to put a good face on it, but it's broader than that, and I think the Deliusin analysis is a good case in point.

I can imagine—to go to your point, I can imagine the difficulty of a situation in which the Soviets would, in the face of events in Eastern Europe, break decisively from their commitments not to intervene, let's say, in Poland or in Hungary, then I would see a serious problem. But from that side I think things will continue positively and that the Soviets will exercise restraint.

On the Chinese side, I think the Chinese get a bad rap on this business of being backward on political reform, because the very

fact that their student community is as cosmopolitan, as widely travelled, as experienced of the United States, Western Japan and so on, as it is puts them miles ahead of their Soviet counterparts. So it depends what you mean when you talk about political reform. If it's political reform in the sense of loosening up the restrictions on communication between China and the world, China is far ahead of the Soviet Union, which is one of the reasons they've got the problem they've got right now, it seems to me.

So the interaction here is a lot more complicated than just one being ahead economically, the other ahead politically. I think in a broad sense it may work, but one has to look at it in a somewhat different way. And I guess I have a confidence that both are so firmly on the reform course that a break brought by a decisive retreat of one side or the other on fundamentals isn't something one would predict at an early stage.

Dr. WHITING. I would like to stress that my paper was giving the Chinese view, not my view, and I say that because Herb's remarks seem to interpret what I was saying as giving the causation of Soviet policy moves to the Sino-Soviet relationship. And of course, my paper points out that lots of things were done not because of the Chinese relationship but did fall into the Chinese relationship.

But I'd like to carry that further and follow what you've just said by saying that it's irrelevant what we're saying about the political reform of China versus the Soviet Union so far as what happens in China. It is the Chinese view of that political reform or the absence of it that is critical. So whether you think or I think that the Chinese students are better off than the Soviet students is not what's going to determine the behavior of Chinese students or Chinese intellectuals. And I have the gravest doubts about the management capacity of the regime in Beijing. Those doubts have only been reassured literally within hours of reversed decisions in the last several weeks on more than one occasion, and I'm sure that you have a good sense of that incapacity when millions are moving from city to city, unemployed, without any administrative control, without any housing, and the possible intemperate nature of troops or police caught under pressures that they haven't anticipated.

I'd rather, however, not speculate on the possibility of reform failing in China, but take it to Harry's question: what if reform does fail? What does that do with the relationship between the two? I don't think it does anything. I don't see that the foreign policy calculus of Moscow and Beijing is dependent upon how their internal reforms work. I did suggest that it was driven by the need for internal domestic economic improvement. And I think that's an important part in the whole de-escalation of military concentrations on either side of the border, beginning with the Chinese demobilization of a million men several years ago. But should these reforms slip badly on either side of that border, I don't see it either driving them into some external venture against foreign enemies or, on the other hand, driving against one another as a way of possibly diverting domestic discontent. So I would separate that relationship from what happens in this future reform set of situations.

Dr. JUNE DREYER. A comment on Dr. Ellison's comment and then a question for Dr. Whiting.

I think the Chinese really do deserve their bum rap on political reform. And I think undoubtedly you are absolutely correct that you have a very cosmopolitan Chinese student community, but this hasn't yet translated itself into reform at the top and this is part of the reason for the tension you have now. And I'm also a little concerned about whether the students, cosmopolitan as they are, are not demanding something which the political system cannot at this point accept. One hates to put oneself on the side of the old fogies at the top, but there's an argument to be made that political stability will be lost if in fact these things do happen. As Dr. Whiting mentioned, you have enormous floating population going back and forth that are able to evade all sorts of restrictions which, while they may violate our concept of human rights, are nonetheless are very important in the present Chinese context; they are able to evade birth control restrictions and registration permits and things like that.

My question for Dr. Whiting is, "Would you put your remarks on Xinjiang in a more specific time context?" It was my impression that although these things definitely did take place, that the Soviet Union does not at least seem to be lending much encouragement to problems in Xinjiang lately and they seem to have taken on a momentum of their own which does not really relate specifically to the Soviet Union's prodding. And possibly at coffee break we can discuss this demobilization of a million men, because I think it's largely on paper.

Dr. WHITING. Of course, nothing has happened in Xinjiang of a Soviet causation of disturbance, since probably the mid-70s, but that's not so long back in terms of Chinese memories. And when I was itemizing those logical factors from the past that we always cite as arguing against any closer Sino-Soviet relationship, this was simply another item of this recent past.

Dr. DREYER. But you don't have any recent information that that's still going on?

Dr. WHITING. Oh, no.

Dr. DREYER. Thanks. That's what I was curious about.

Dr. DONALD ZAGORIA. I'm not so sure that Allen is right, that if reform fails in both or either of these countries that this would have an insignificant impact on their foreign policies. It seems to me that—

Dr. WHITING. I said on their relationship—that was the question I had taken from Harry. I didn't mean their whole foreign policy.

Dr. ZAGORIA. Okay, even that, because if their relations with the West change, then at least there's a greater possibility for their relations with each other to change. But I would say it does seem clear that the biggest driving force of both of their foreign policies now is their need for breathing space and for a stable international climate while they reform their respective systems.

Now, if reform were to fail in one of the other countries, or both, and you got more ideologically conservative people, what might their foreign policies be? Well, I would suggest in the case of the Soviet Union we already have a pretty good statement on record from Mr. Ligachev who is on record as taking issue with Shevardnadze and Gorbachev on the whole question of the role of class struggle as a determinant of foreign policy. A Ligachev government

might not revert to a Brezhnev military buildup or adventurism in the Third World, but it would tighten the ideological hatches and be more competitive in foreign relations, and so on.

Dr. HARDT. In reference to the comparative relationship on reform, I think they are quite responsive to what has gone on, what's been successful and what's not been successful. But they're also sensitive to the objective conditions that they face that are different. And one of the areas now that is of particular importance is the agricultural policy. And the revision of agricultural policy in the Soviet Union is very much tied to their ability to change their political system. And indeed when one looks at the developments of the plenum in March 1989—the agricultural plenum—only because of changes in party government leadership was it possible to convene the plenum and to set a new policy of decollectivization as acceptable in theory. But it was not possible to go further and implement decollectivization toward the family farm and toward the decentralization of power because there were too many people in the Central Committee who opposed that implementation. The next step was the removal of passed-over party leaders, the "dead souls," all of whom were votes against the implementation of decollectivization. But even after this recent Party plenum, the "second massacre" of the old leadership—the statements printed from conservative party leaders in Pravda indicated that not only were they against Gorbachev's decollectivization position, but many of those still voting in the Central Committee—these are the county (obkom) and the republic (rakom) leaders who still disagreed with the basic elements of new agricultural policy. So the next step is the regional government elections in early 1990 after which those like conservative Leningrad party boss Soliviev, who will have to stand in the government election, if unelected, will be encouraged to resign from their party positions as a result of losing their government elections. Now, once that occurs, Gorbachev can move forward on providing the peasants' family farms with good land. To date none of the good land has been put under the new system, as they have offered them only marginal land. There is a contrast with Chinese rural reform.

As Harry Harding noted, one of the gifts of Mao, in terms of agricultural reform, was that he destroyed the rural party units. That is, the Chinese did not have the party bureaucracy, the nomenklatura system, to impede decollectivization and a change in agricultural policy.

It also may be argued that the PRC (China) never had the Soviet-style centralized agricultural control system where the state orders came down from the center for everything that controlled agriculture. Soviet reformers like Bogomolov are very much aware of this difference and argue that the Chinese case was a success case and the Soviet Union should move in that direction.

Dr. HARRY HARDING. I'm Harry Harding of the Brookings Institution. As you may know from looking at the program, my job is to try to summarize the discussion later this afternoon, so many of my interventions today will be questions of our speakers, asking them to clarify their remarks or asking them to address subjects that they perhaps haven't covered.

And let me do that this morning with Herb and with Allen.

It seems to me that there is a fairly clear and very interesting difference in tone between our two speakers. Allen described the summit, and I quote him directly, as "an anticlimax," whereas Herb—and here I'm more inferring what he meant—seemed to describe the summit as but the first act in an ongoing play that still could have quite a bit of drama to it. But, I wondered whether that apparent difference between our two speakers had to do in part with the different focus of their presentations. Allen was talking primarily about Sino-Soviet relations, whereas Herb was addressing the broader subject of Soviet policy towards East Asia.

And I'd like to clarify this seeming difference by asking both our speakers to give some broad indication of where they see Sino-Soviet relations about 10 years from now, say at the turn of the century. Do you think that we will see this month's summit as a high-water mark beyond which there was relatively little further change, or might we see significant movement on any dimension?

Relatedly, I'd also like to ask if there are any other contingencies which might alter your analyses. So far we've focused primarily on the question of domestic reform and its prospects. I'd like to ask whether there are any contingencies in the international arena, in the global context, that might either push the two countries further together or pull them farther apart than your general forecasts suggest?

Dr. WHITING. It's very easy to talk about 10 years hence; nothing will be remembered 10 years hence of what we say today—we'll be lucky to be remembered one year hence.

I'll take my short cut at it and say I would expect there to be quantitative but not qualitative changes in the relationship over this next decade. By quantitative I mean increases in trade, increases in exchanges. I am personally impressed at the resurrection of the joint Sino-Soviet commission on development of the Amur or the Heilongjiang basin. Mr. Rugachev, who is now deputy foreign minister in charge of Asian affairs, was an interpreter in 1955 for the first Sino-Soviet commission for that development.

It will require a lot of investment, it will require a lot of persistence, but should they develop something like the St. Lawrence Seaway, with power generation, flood control, irrigation, and channel manipulation, there's going to be an interdependency in that Northeast Asian region. That's a quantitative change moving ahead from where they are now, having revived the commission and having said they are going to do this. I don't anticipate meshing of foreign policy except in limited situations—since they are both committed to the defense of North Korea in the case of a war, consulting between themselves on how to manage a post-Kim Il Sung succession problem or flare-up or arms transfers to North Korea. As long as the Korean peninsula is unresolved and divided, there's going to have to be some consultation of this sort, but I cannot conceive of them conspiring to start another North Korean attack against the South or to force cross-recognition on Pyongyang because they think that's the best solution.

So a working alliance, even a working entente, is not something I foresee.

International contingencies that would change that relationship—well, if we took what I think is only a theoretical possibility

of a Japanese nuclear rearmament with a massive change in the Japanese military posture in Northeast Asia—yes, both of these powers would look upon this as a threat. They would look upon whatever the U.S. role in this might be as either very threatening, because we would be suspected of encouraging it, or possibly collaborative as measures would be taken to deny the Japanese access to necessary materials. But these are very wild kinds of blue sky scenarios.

An international contingency that might be much more important for them is not in the security field but it is in the fields where I think the problems lie ahead: environmental controls—the consequences for the environment that will come from the unregulated use of offshore oil. These contingencies may fuse together, and I would think force together the kind of international collaboration that doesn't make a bilateral relationship as important as a multilateral relationship. And those multilateral relationships are on the agenda given the problems that countries in the West Pacific have in conflicting claims. So those contingencies may not be in the security dimension; they may be in what we would call the environmental and economic dimension.

Dr. ELLISON. I guess, Harry, in looking toward the future, there are two issues. One is the growing power of China, and the expansion of the Chinese economy. This is bound, I think, to give China an increasing role and power in that bilateral relationship. It was Deng Xiaoping's genius to sense that dynamism and trend and to choose the economic reform course that has already made the balance shift and the psychology of the relationship change. I think, therefore, one could expect, given some degree of political stability, a continuation of the same trends that are already visible. And I think the most important of those is an increasing balance between the Soviets and Chinese in the issues of mutual interest regionally, from Xinjiang to Mongolia. The illustration of this is the fact that in Mongolia you now have a situation in which the Chinese are an active presence, diplomatically and culturally (in contrast to a few years ago) and in which the Soviets are preparing to withdraw their troops. There is going to be something closer to the historic balance of Russian and Chinese interests in that crucial area, a balance which hasn't existed since the 19th century.

I think there's going to be an increased balance of interests and influence in the Korean peninsula, and that's already apparent as they've found joint interest in reconciliation of the conflict between North and South, and in profiting from the dynamism of South Korea. I think this is clear in the restoration of a degree of balance between Soviet and Chinese influence in Indochina. And it seems to me one is likely to get a shift increasingly in favor of the Chinese. The Soviet influence and presence there is going to be reduced, not increased, over the course of the next 10 years. China is bound to take, I think, an increasing role in Asia and the Pacific, and in that larger context the years of Soviet hegemonism on the East Asian continent, and the great drive of Soviet power into the Pacific basin, I think, is going to change.

All of this is assuming some reasonable degree of political stability and continued economic progress in China and stable progress in

the Soviet Union toward the reform objectives that Gorbachev has laid out.

The potential limits on this process are considerable. One is the pace and success of economic reform in the Soviet Union. In my view, it's much more problematic in the Soviet Union than it is in China. John can speak more knowledgeably about this than I can. But, whatever happens in the economy, there will be broader political relations between the two sides, broader cultural relations, and increasing interaction in all spheres, so that the Soviet-Chinese relationship 10 years from now will be much more comprehensive, much more inclined to penetrate both societies than it does today after the long drought.

Dr. BANNING GARRETT. I see we're just about at the end, so I'll make my comment very brief, but I'd like to add one thing to this because we were talking about the global context, and it seems important to me to place this whole development in Sino-Soviet relations in the larger context of a real shift in the global balance of power toward the West and the United States in particular in the last decade. And I think that clearly the trend favors the U.S. politically, economically, militarily, technologically, and this is a situation in which it's in our interest to see this development of relations between the Soviet Union and China take place. It's not at all a threat to us; it's a recognition that what's going on is really that both powers are trying to integrate themselves into the U.S.-led Western world, not trying to get closer to each other in order to become closer vis-a-vis that world. Their future for both countries lies with the West, with their trade relations with the West, political relations, and especially technology. They both are facing a widening technology gap with the West. They have to take obviously extreme measures internally to try to reverse this trend, the Soviet Union being even more threatened by it, I think, than China. So, consequently, they are trying to normalize those relations between each other so that they can really concentrate on the problem of integrating further into the Western world economy.

Ultimately, I think, what this means in the simplest sense is that we are the motor that drives forward that economy—we and Japan if you want to include that nation.

As far as continuing the process over the next decade, I think what's extremely crucial for the United States is that our economy continue to grow, that the world economy continues to expand, that we maintain our leadership in the broadest sense, and so that both countries—and, I would say, Eastern Europe, Vietnam, Korea—all can become further integrated into a growing world economy that is based on our rules with Western Europeans and Japanese; they have to play by those rules, and they have to play politically by those rules, not just economically. It is in this context that this development is taking place and strengthening the trend toward a world in which our rules are really dominant. The trends favor our strength. And I think that as long as we continue in the path that is positive economically and technologically, that our upper hand will continue and this will further the trend towards easing relations between the Soviet Union and China. But, it will not lead them to look to each other for their futures; they'll contin-

ue to look toward us. And this is very much to our advantage in the broadest sense.

Dr. ELLISON. I agree with that. It puts the matter in a large picture which gives a global perspective on the change. I'd like to add another dimension, which is the reemphasis on the internal change in communist states and parties, especially the remarkable fact that the Polish and Hungarian parties (certainly the latter) are moving toward the model of a kind of social democratic party, and among nonruling parties, the Italians as well. And then the next stage back, the Chinese and the Soviets, in response to their own internal past failures and to what you've described as the success of the capitalist economies, are revising ideology and practice to facilitate the process of economic transformation, and are allowing social-political transformation to move in new directions.

So, if that trend continues (and we've had commented frequently here that history is full of surprises) it complements just what you're saying and is causally connected with the process you describe.

Dr. GARRETT. I'd just add one thing to that. I think that this relates to the question of a reversion on the reform issue in either country, and I think from what I understand, the conservatives really have no alternative plan to realize the goals of becoming modern states technologically and economically. And if they want to stay in the ball game, particularly the Soviets, they're going to have to continue on a path that holds some promise of reversing the trends technologically and economically over the long term. And the conservatives have no way of doing that. Socialism has failed, let's face it. And I think that holds well for us as long as the world goes in the direction it's going now.

Ms. DUMBAUGH. We are at the end of our time for this panel. I'd like to take a 10-minute break, unless we've left somebody back here burning with a question. We'll reconvene in about 10 minutes for our second panel. Thank you.

[Whereupon, a brief recess was taken.]

Ms. DUMBAUGH. I'd like to begin now by introducing the moderator from the Congressional Research Service, Stuart Goldman.

PANEL II: SINO-SOVIET RELATIONS AND THE ASIA REGIONAL PERSPECTIVE

Dr. STUART GOLDMAN (presiding). Thank you very much, Kerry. In view of the tightness of the very full agenda that we have today and the excellence of the panelists, I think the proceedings are best served by the moderator staying out of the way, keeping track of time and making the briefest possible introductions, so that we can hear what our panelists have labored to produce for us today.

The focus for the second panel, as Kerry said, is going to be on regional implications of Sino-Soviet relations. Speaking first, on my right, will be John Endicott, focusing on Northeast Asia; then Bob Ross on Southeast Asia; and finally, Don Zagoria speaking on the broader Pacific perspective.

Our first speaker, John Endicott, is the Director of the Institute for National Strategic Studies at the National Defense University,

has written extensively on Japan and Japan's role in East Asian politics, and we turn the floor over to you, John.

STATEMENT OF JOHN ENDICOTT, NATIONAL DEFENSE UNIVERSITY

Dr. JOHN ENDICOTT. In the near term, as I look at both Korea and the Korean peninsula and Japan, I would be surprised if the two Koreas can take their eyes off of domestic and north-south events to notice the historic meeting that's taking place in Beijing.

South Korea finds itself riveted in a very sorrowful introspection following the tragic death of six policemen by burning at A Pusan university, which just happened the first week of May.

The national revulsion has been so marked that the normally vibrant student group, the National Council for Student Representatives, has pledged to enter into a new phase of non-violent demonstrations. The reaction has been actually amazing; we anxiously wait to see if it really makes a difference.

In any event, one of the most popular movies has become Gandhi, with Kim Dae Jung and Kim Yong Sam leading the list of very important political figures endorsing this new emphasis on non-violent political demonstrations.

Of course, the Republic of Korea has also focused on the unauthorized visit by the Reverend Mun Ik Hwan to Pyongyang in April. After returning to South Korea, this advocate of reunification was charged with violating the National Security Law, and the incident has resulted in the call from Kim Yong Sam, president of the Reunification Democratic Party, for the prime minister to resign and take responsibility for the Mun visit.

While this revulsion against student violence and the embarrassment of the Mun trip has had a significant impact on ROK political interests, the architect of South Korea's "nordpolitic," Pak Chol On, an aide for policy to President Roh Tae Woo, reiterated that the northern policy or "north look," which includes the diplomatic approaches to the Soviet Union, China and other communist countries, as well as North Korea, is in no need of revision or readjustment. So the desire to make progress regarding the North is still very much alive.

Thus, while the immediate impact of the Sino-Soviet summit will be clouded by the domestic scene, there are some long-term implications that need to be addressed. In fact, if Gorbachev identifies military forces to be reduced or withdrawn from the Soviet Far East at this summit and thus bring Asian deployments in line with his oft-repeated concept of reasonable sufficiency and defensive defense, he could initiate a series of actions related to offensive weapons in border regions of the Soviet Far East. His apparent willingness to address regional questions may, indeed, have the effect of providing support for the proposals outlined by Roh Tae Woo at the United Nations on 19 October 1988.

Those proposals warrant a quick recapitulation as items still on the table which might serve as a basis for some kind of statement emanating from the summit.

President Roh proposed that a six-nation peace conference including the two Koreas, the U.S., the Soviet Union, China and

Japan, be held; also, construction of a "city of peace" at the demilitarized zone; a mutual declaration of nonaggression at a North-South Korean summit; renunciation of the use of military force against North Korea; a willingness to discuss withdrawal of U.S. forces; and, most importantly, in domestic terms, willingness to consider the revision of the National Security Act if necessary.

Prior to the United Nations address, in fact on 7 July 1988, President Roh made some other, I think rather revolutionary, suggestions for normalizing north-south relations on the peninsula. He proposed specifically inter-Korean exchange of personnel and free visits by overseas Korean residents to both North and South Korea; exchange of mail and mutual visits between dispersed family members; trade relations between the two Koreas as domestic transactions; approval of trade in nonmilitary goods between Pyongyang and Seoul's allies; termination of counterproductive competitive diplomacy; and cooperation in Pyongyang's moves to improve relations with the U.S. and Japan.

On the 10th of October, at the National Assembly, it was decided to allow private trade with North Korea.

I would not be surprised to find some of these proposals picked up at a later time by the Soviet leader and fed back to an eager Western public as new initiatives.

At this point, the important thing is the fact that there are indications that north-south relations on the Korean peninsula are transiting from military confrontation to political negotiations. If this is truly to occur, then some of the concepts articulated by President Roh Tae Woo need to be endorsed, ever so tangentially, by the negotiators meeting in Beijing today. If this happens, even partially, the leadership in Pyongyang will be more likely to respond favorably.

Why would the two communist countries endorse something advocated by the leader of South Korea? Well, President Roh is interested in having South Korea participate in the 230 billion ruble, or $360 million, development scheme for Siberia and Soviet East Asia. The Soviets are interested also, and the ROK trade office in Moscow, I might note, began operations on 13 April this year.

As one Korean observer noted, the Soviet peace drive of today, regardless of their sincerity, remains the fundamental source of changes in the regional security environment as a whole. Certainly we will not be the only ones gathered to discuss possible outcomes.

I would like to turn to Japan very briefly. I indicated that South Korea may be fairly preoccupied with domestic events and would find it difficult to focus on the Sino-Soviet summit. That certainly would hold true for Japan as well, at this point. The events of the Recruit Cosmos affair, including prime ministerial succession, compete with such items as the FSX, super-301, and the new consumption tax, for space on the front pages of the Japanese newspapers. However, Japan generally will have a keen interest in events as they unfold in Beijing.

The most important lesson of the Sino-Soviet summit for Japan is the fact that China, with her three obstacles, hung tough, shall I say, and eventually is sitting down with Soviet representatives fairly satisfied that not compromising paid off, at least at this point.

This has specific meaning for Japan as she pursues her number one policy goal in relation to the Soviet Union, return of the Northern Territories. The linkage of the return of these islands and economic cooperation with the Soviet Union is clear. As early as this past January, the Soviets approached Japan for participation in their Far Eastern development plan. Japan has not been responsive at all.

China, on the other hand, through the Chinese Academy of Social Sciences, recently advocated the creation of a Northeast Asian economic zone, consisting of the PRC, Japan, the two Koreas and the USSR. It would form a natural interdependent area with the PRC supplying the labor, Japan and South Korea finance and technology, and the Soviet Union natural resources. One of Gorbachev's initiatives already on the table that would facilitate this kind of unit is his concept for multilateral reductions of military confrontation in the Northeast Asian area.

Recent meetings between Rogachev and Kuriyama, two counterparts in the foreign policy area, saw hardening of the Soviet view regarding the Northern Territories. Further, in conversations between Foreign Minister Uno and Gorbachev it was reported that the Soviet leader said, and I quote, "It appears Moscow is more interested in improving relations than Tokyo."

In fact, in March the Soviet Union invoked the enemy state clause of the United Nations charter to validate their Northern Territories claim. This clause states that nothing in the United Nations' Charter can invalidate any World War II action taken against an enemy state. And, of course, Japan is still defined as an enemy state in the United Nations' Charter.

While the territorial claim goes on, another effort by the Soviets to complete six diplomatic agreements as a precondition to Gorbachev's visit to Tokyo also seems to be running into trouble. Some of these agreements, covering economic cooperation, environment, tourism, peaceful use of space, investment protection, and bank missions, may run into significant trouble. In fact, perhaps only three will be accomplished.

In the security arena, planning for the next midterm defense plan, covering 1995 to the year 2000, has indicated that increased emphasis will be placed on ground defense by the Japanese, and of course, this is defensive defense in the truest definition of the term.

The question that Japan will face is one the U.S. must face if Gorbachev does follow through in reducing his force structure in East Asia. When one loses the threat, what impact does this have on force structure?

In Japan's case the Taiko, or the National Defense Program Outline, will probably not be revised soon. The approximately one to one and one-half percent expenditure of GNP on defense will remain the outer limits for the foreseeable future.

Overall, it would appear that the historic summit will have the effect of preparing the ground for future serious examination of a CBM (Confidence Building Measures) regime in Northeast Asia. Such an environment could foster the kind of climate necessary for a rational de-escalation of the conflict between the north and south in Korea. The immediate impact on Japan will be dependent, in large measure, on how the LDP (Liberal Democratic Party)

emerges from the current difficult transition from Takeshita and his successor. Much will depend on July 23rd and how the Liberal Democratic Party emerges from very contentious elections for the Japanese Upper House. We have, in essence, an approaching branch in the road for Japan; democratic forces at a grassroots level may unleash events that cause a fundamental restructuring of the Japanese political system.

The Japanese have a saying, "When we think of next year, the Devil laughs." I would like to endorse that one.

Dr. GOLDMAN. Thank you very much, Dr. Endicott. I think you are to be commended both on the thoroughness of your presentation in its breadth, and also your economy in getting it in well under the allotted time span.

Our second speaker is Dr. Robert Ross, formerly Assistant Director of the East Asian Institute of Columbia University, presently a research associate at the Jackson School of International Studies at the University of Washington, and also, I understand, he is this year a research fellow of Brookings Institution.

Dr. Ross has done extensive work on Sino-Vietnamese relations, and is going to be talking now on implications of the warming of Sino-Soviet relations particularly for the Indochina region.

STATEMENT OF ROBERT ROSS, ASSISTANT PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, BOSTON COLLEGE

Dr. ROBERT ROSS. Over the years, it's been awkward to talk about Indochina in the context of the Sino-Soviet detente. On other aspects of Sino-Soviet relations, analysts have emphasized the easing of relations and the easing of tension; I've had the unenviable task of reminding people that people were dying in Indochina. Finally it seems the war in Indochina is winding down.

While agreeing with Harry Gelman that the Chinese have come a long way towards abandoning their original stand regarding Cambodia and Vietnam and Soviet-Vietnamese relations, I think it's nonetheless useful to recognize that some of that movement to the middle ground was simply negotiating policy. The Soviets have come a long way to meeting Chinese expectations and it had come time for Beijing to meet them halfway.

And I think it's useful to examine just what the Chinese tactic was here, for a brief moment, and that is the Chinese essentially told Gorbachev you have a choice: you can have good relations with China or you can go on supporting the Vietnamese occupation of Cambodia.

The Chinese were fortunate to have in Moscow a new Soviet leader who was amenable to that kind of discussion, who reflected and recognized the need for flexibility. And so the Chinese tactics were able to bring results. And I think, again, they could be pleased with Soviet behavior. The mere opening of Sino-Soviet discussions on Cambodia was very reminiscent of U.S.-China negotiations and discussions in the 1970s and their impact on Vietnam. The stab in the back hypothesis, the fears of collusion, all went a long way towards helping the Vietnamese to redefine their objectives.

Similarly, during the March 1988 fiasco in the Spratly Islands, the Soviets just sat back and observed Sino-Vietnamese hostilities, again, reminding the Vietnamese, impressing upon the Vietnamese, that they were now facing the Chinese with much less Soviet backing. The pressure was there and the Chinese were quite appreciative of that.

In economic relations, the Soviets have let the Vietnamese know that this is an era where greater economic self-reliance will be necessary.

Taken together I think the Soviets have come some way toward meeting the Chinese demands.

The other element in China's Vietnam policy was the tactic of bleeding Vietnam white. To some extent it worked. For 10 years the Vietnamese have been bogged down in a costly war in Cambodia and a costly border conflict with the Chinese, watching their economy go to shambles. All the while, Thailand and China experienced superb economic growth.

And bleeding Vietnam white was complemented by international isolation, so that there were limited ways for Vietnam to come out of its economic shambles without first resolving the Cambodian problem.

This is not to say that the withdrawal from Cambodia is coming on terms other than those China would have liked, but that much of the reason for the withdrawal can be laid to Chinese strategy in cooperation with the ASEAN countries and the United States.

The situation is now near the end game. Remaining issues are being negotiated. And it seems that three of the four Cambodian factions have reached something of a consensus that a final reconciliation government should exclude the Khmer Rouge (KR). What began as three against one—and that one being Phnom Penh—is slowly emerging into a three against one, and that one is going to be the KR.

Will China sign on to this? I think it will. It's not its most desirable outcome; it would prefer a government in Phnom Penh which would be susceptible to Chinese influence. But, it is not going to get it.

On the other hand, the Chinese are acutely sensitive to the attitudes of the ASEAN governments concerning Chinese power and Chinese aspirations for the region. This is not a period in which the Chinese want to appear as an aggressive expansionist state seeking a government in Phnom Penh which it can control and thereby have greater influence in the region. It does not want to be associated with a Khmer Rouge viewed as the sole obstacle to peace. The isolation it fears would simply be detrimental to Chinese interests in the region.

I think you will get a Cambodia agreement. You will get a coalition government which will use the current Heng Samrin administrative system as its foundation. There is simply no alternative to using that government as the foundation of a future government. The administrative apparatus is there, it's in place after 10 years. Sihanouk cannot expect to supplant that; his forces are minimal, relatively speaking, to both the KR and Phnom Penh regime. He simply lacks the numbers and the skills, the administrative apparatus to replace it. The Heng Samrin government will remain in

place. It will simply have a coalition at the top, lending greater legitimacy to the administrative apparatus.

The agreement will also get most if not all of the Vietnamese troops out of Cambodia. And after all, this was the major Chinese objective. And that will give the Chinese some room to operate in post-war Cambodia.

Now what are the implications of this agreement, this emerging agreement on Cambodia, for Sino-Soviet relations, for their respective policies in Asia and in Indochina in particular?

Allen Whiting is right; this is an era where both states, the Soviet Union and China, are looking towards their domestic economies.

Banning Garrett is right; this is an era in which both states, the Soviet Union and China, are focusing on their economic inadequacies and recognize the need for rapid development if they're not to fall further behind.

Within this context Indochina will remain an area of competition. China will seek to establish a greater voice in Indochina in the post-war era. It sees this as an area which it calls its strategic back yard, and it will continue to strive for a greater voice. And it will continue to use its relationship with the Soviet Union toward that end.

We recall in the '70s in Sino-American relations that with each high-level meeting there was some pressure for progress on Taiwan. Well, something to that effect will continue to take place in Sino-Soviet relations over Indochina. With each successive summit the Chinese will say what will you give us? They may not get much, they may not get anything, but the pressure will continue, the competition will continue in Indochina.

With regard to Vietnam, with the absence of Vietnamese troops in Cambodia and with the distance developing between the Soviet Union and Vietnam, Vietnam is simply more vulnerable to Chinese power. We need to recall that there is still a Sino-Vietnamese border which the Chinese can manipulate at will—and inexpensively, I might add.

So this combination of loosening Soviet-Vietnamese ties and a continued PRC presence will simply make the Vietnamese more vulnerable to Chinese pressure. And the Chinese will try to capitalize on this situation to establish a greater voice in Hanoi.

In some respects the Chinese can point with satisfaction to the recent trend in Vietnamese behavior. Two delegations in a row have gone to Beijing, two deputy foreign minister delegations have been in Beijing recently. This is contrary to normal diplomatic practice where you exchange delegations. I think the Chinese can draw some satisfaction from this.

With regard to Cambodia, the Chinese will seek to capitalize on traditional Cambodian tendencies to offset Vietnamese power with friendship with China. Even Hun Sen, despite the extent to which he is a creation of Vietnam, is a Vietnamese nationalist, at least to some degree, and given the independence that will come from the absence of Vietnamese troops, he will want to have better relations with China.

To a lesser extent, but the analogy is still there, this development occurred following the establishment of Bangladesh. To the

extent that Bangladesh was a creation of India, that did not stop it from rapidly developing improved relations with Beijing. This is simply going to be the power reality, if you will, of post-war Cambodia. The opportunities are limited, but nonetheless China will capitalize on them.

Regarding the Soviet Union in Indochina, Moscow has not given up its stake there, it has not given up on Cam Ranh Bay; Vietnam is still the sole Soviet strategic partner, ally, in Southeast Asia.

Cam Ranh Bay remains a strategic asset to the Soviet Union in its regional competition with the United States. Its ability to maintain a position in Vietnam is clear. It can capitalize on Vietnam's traditional fears of China, and its interest in offsetting Chinese power. There is simply no other state in Asia, including the United States, including Japan, which can begin to do that in Indochina. Only the Soviet Union can do that. We can expect the Soviet Union to remain Vietnam's primary arms supplier into the foreseeable future. There will be a loosening of ties, but we should nonetheless expect a continued Soviet presence in this regard.

Similarly with economics. With all the talk of Japanese interest in investment in Vietnam and what have you, let us recall the limitations inherent in both the opportunities in Vietnam, given the sorry state of its economy, and the attractive opportunities elsewhere in Asia for investment. Vietnam is not going to be a priority. This means that the Soviet Union will remain Vietnam's primary economic partner. There's no substitute for that.

As for Cam Ranh Bay and Sino-Soviet summit diplomacy, the Chinese are aware and are quite frank about this; this is a U.S.-Soviet issue. They have limited leverage over this, and they are not going to try to use their limited leverage to oust the Soviets from Cam Ranh Bay. There will be other issues, perhaps Soviet arms sales to Vietnam, perhaps the Vietnamese relationship with the Phnom Penh leadership, but we should not expect direct Chinese assistance in weakening the Soviet presence at Cam Ranh Bay. Over time, I would suggest, a reduced Soviet presence might develop, but it will not be primarily due to Chinese efforts.

For the region as a whole, what does the settlement of the Cambodian issue mean for Chinese policy? Well, it's complicated, and there are two aspects to this.

On the one hand, the necessity for Thailand and some of the other ASEAN countries to cooperate with China in order to pressure Vietnam to withdraw from Cambodia has been eased. Much like relations around the world, as the security threat is diminishing in this era of global detente, the necessity for strategic cooperation is diminishing.

For many of these countries that means they can begin to focus their attention on China's long-term role in the region, which many of them have worries about. China will be a power, it will grow stronger; the shadow of the future has already passed over this part of the world.

In this respect we might expect that these countries will begin to distance themselves from China. Thailand is a candidate for this.

Offsetting this, however, are two factors—let's say three factors. One is that to the extent that China cooperates in a Cambodia settlement that excludes the KR, the fears of China as a regional

power will be somewhat diminished. Some of those fears have been kindled by Chinese attention to the KR, by their support for the Khmer Rouge. To the extent that Beijing is willing to sacrifice the KR, perceptions of China will be somewhat eased.

Second, there is simply the reality of Chinese power; it cannot be ignored. And I think Thailand is particularly susceptible to this. I recall speaking to a Singapore diplomat and asking him, what are you going to do about China? This is a country that's growing. And he says, you big country people, you are always looking for resolutions to problems. There is nothing we can do about China. I think there is some truth to that.

Third, China has a diplomatic weapon at its disposal, and that's arms sales. This is not necessarily a destabilizing instrument, but it is an instrument that China will seek to take advantage of. Chinese weapons are inexpensive and often they are perfectly appropriate to the needs of the ASEAN countries. Thailand is finding this out and others may find it out as well.

So the implications of a Cambodia settlement are cross-cutting. And I would expect China to continue to play a role in the region.

As for the Soviet Union, Moscow certainly hopes that having rid itself of the onus of supporting the Vietnamese occupation of Cambodia, it can begin to establish a more diplomatic, pervasive voice in the region. I would suggest, however, that the opportunities for the Soviet Union remain very limited. What does the Soviet Union have to offer?

On the one hand, for most of the ASEAN countries, the Soviet Union has never been the primary focus of their attention. For some it was Vietnam, for some it was China. The fact that the Soviet Union is changing its face in Asia has less influence on the ASEAN states because its original regional role was secondary.

Thus, the parallel between Soviet policy in Western Europe and its impact on NATO does not hold for Southeast Asia, because the original cohesiveness in our relations with Southeast Asian countries did not depend on the Soviet threat.

Second of all, the Soviet economy is still in shambles. It has nothing to sell, and its market remains unattractive to the Southeast Asian economies. Singapore, Hong Kong, Taiwan, and South Korea continue to look toward the Western markets.

So we shouldn't expect that having resolved this major diplomatic conflict in Cambodia the Soviet Union will be able to develop a greater diplomatic force in the region. I think it's unlikely.

Now, what does all this mean for the U.S.? What are the implications here? What can the U.S. do about the settlement of Cambodia and the future of Cambodia? I would say very, very little. We have played a very minor role in the emergence of this settlement. The carrot we have held out for Vietnam of normalization and aid has been practically irrelevant. No one expects there to be major American aid to Vietnam, and I think the Vietnamese are finally recognizing that.

Regarding trade, again Vietnam is not a major attraction to Western investors, to the private sector. Japan is the exception. But, even Japan cannot work miracles.

As far as our assistance to the Cambodian resistance forces, there's little we can do to beef up Sihanouk's role. We simply have

to face that. This is a man who is extremely influential, but he is influential because of who he is and what he represents, not because of the strength of his army or the military strength of his followers. He will not be able to play a role in post-Cambodian leadership in supplanting the current Phnom Penh regime. Nothing we can give him will alter that. We can add legitimacy to him, we can support him, but the basic structure of the Phnom Penh leadership will have to remain because there's no alternative to that.

And similarly with respect to China. China's decisions have been based on their own security perspectives—Indochina is its back yard, and it will not be amenable to significant American pressure. But more important, the Chinese, on the basis of their own interests and their own perspectives, will support an agreement which excludes the KR, if it comes to that. China will not be a major obstacle to an agreement.

One looks at the position of the U.S. in Southeast Asia following an agreement and one is struck by what a major success U.S. policy has been. The Vietnamese are getting out of Cambodia. Our friends in Thailand and the rest of the region can benefit from that. At the same time there is going to be a government in Phnom Penh which is not going to be dominated by Chinese power or Chinese influence. And, Vietnam will begin to experience greater independence. It will have to accommodate itself to Chinese power, but it will not become a Chinese voice in the region. It will be an independent Vietnam, and that certainly serves the U.S. as well. And, Hanoi will devote itself to its domestic economic development. It will be a force for stability, should this all work out.

U.S. policy has been a success and that policy has been one of maintaining our distance. There seems little reason to change that.

CHINA, THE SOVIET UNION, AND INDOCHINA: RECENT DEVELOPMENTS AND PROSPECTS

(Prepared Paper by Robert Ross)

The pace of change in Indochina over the past six months has been startling. Whereas in mid-1988 few observers expected either a rapid conclusion to the Vietnamese occupation of Cambodia or significant improvement in relations among the involved states, in April 1989 Hanoi announced that all of its troops would be out of Cambodia by the end of September. Relations between Hanoi and Beijing have similarly improved, so that trade rather than tension is coming to characterize border relations. The issue before the contestants is now no longer whether the conflict will be resolved, but how it will be resolved and what the consequences will be for the region.

This paper addresses the sources of the recent changes, focusing on Sino-Soviet relations and China's Indochina policy, the prospects for a negotiated settlement, and the likely evolution in relations among the actors in Indochina. It closes with a discussion of the implications of recent developments in Indochina for U.S. policy.

Sino-Soviet Relations and Vietnamese Policy Change

Since the early 1980s China insisted that there were three obstacles to Sino-Soviet detente—Soviet support for the Vietnamese occupation of Cambodia, Soviet troop deployments along the Chinese border, and the Soviet occupation of Afghanistan. Of these three, Beijing placed the most emphasis on the first. Beijing insisted that not until Moscow significantly reduced its support for Vietnam's war in Cambodia would Sino-Soviet relations be normalized. Economic and cultural relations might develop, but political relations would stagnate. In practice this meant that until Soviet policy toward Vietnam changed, Soviet and Chinese foreign ministers would not meet in each other's capitals and that there would not be a Sino-Soviet summit.

Chinese policy eventually coincided with the emergence of a flexible Soviet leadership seeking a stable international environment in which to pursue domestic reforms. China presented Soviet leader Mikhail Gorbachev with a choice between continued Soviet support for Vietnam's occupation of Cambodia and thus stable influence in Hanoi and access to Cam Ranh Bay, or improved relations with Beijing, and risk its secure position in Vietnam. China's strategic weight in Asia and the clear failure of Brezhnev-era efforts to use encirclement to coerce Beijing to ameliorate its Soviet policy persuaded the Gorbachev leadership that to improve relations with China and reduce its foreign policy burdens in Asia, it would have to alter its Vietnam policy.

The changes in Soviet policy eventually undermined Hanoi's confidence in Moscow's support and compelled it to consider ways to placate China and to reevaluate its Cambodia policy. Soviet pressure on Vietnam was reflected in a variety of ways. The mere opening of Sino-Soviet discussions on Cambodia in 1988 placed pressure on Hanoi. Reminiscent of the impact of U.S.-China rapprochement on Vietnam, these discussions raised fears of collusion, suggesting that Moscow might allow China a free hand to deal with Vietnam should a second "lesson" become necessary. In February 1989 China and the Soviet Union issued a nine-point statement on the settlement of war in Cambodia.[14] The Sino-Soviet summit is the latest and most significant development in this trend. Symbolizing the end of 30 years of intense conflict, it brings home to Hanoi the widely divergent Soviet and Vietnamese interests vis-a-vis China.

Vietnamese fears of Soviet unreliability were further aggravated during the 1988 Sino-Vietnamese naval clashes over the Spratly Islands in the South China Sea. Although the Soviet Union is a treaty ally of Vietnam, Moscow failed to offer any support whatsoever to Vietnam during the conflict. Clearly, the Soviet Union had become an undependable ally in Vietnam's ongoing conflict with China.

Soviet economic policy also changed Hanoi calculations. Whereas Moscow had been contributing to Hanoi's military expenditures associated with its border conflict with China and its occupation of

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[14] The text of the statement is in *Xinhua*, February 5, 1989, *Foreign Broadcast Information Service, China (FBIS)*, February 6, 1989, p. 16.

Cambodia and had been subsidizing Vietnam's bankrupt economy, the combination of its desire for improved relations with China and its need for scarce capital encouraged Moscow to reconsider its aid program to Vietnam. Moscow has warned Vietnam that Soviet aid is not limitless and that perestroika-style economic reforms must provide the foundation for Vietnamese development. In recent years, despite formal economic agreements calling for generous Soviet aid to Vietnam, there have been delays in the scheduled shipments of goods to Vietnam. Hanoi has had to learn to cope with greater security and economic self-reliance, and this has required improved relations with adversaries, including China.

China's Vietnam Policy and Change in Indochina

Developments in Sino-Soviet relations were central to Vietnam's reevaluation of its Cambodia policy. Equally significant and complementary pressures on Vietnam were created by Chinese policy in Indochina. Beijing aimed to "bleed Vietnam white," and thus coerce it to withdraw from Cambodia. China employed a dual strategy: it maintained military pressure on Vietnam in Cambodia and along the Sino-Vietnamese border and it contributed to efforts to isolate Vietnam in world affairs.

Chinese support for the Cambodia insurgency has focused on its aid to the Khmer Rouge. Although Chinese leaders are aware of the brutality of Khmer Rouge policies during the period it ruled Cambodia and currently in Khmer Rouge-controlled refugee camps, they have shared with Thailand an overriding interest in supporting the Khmer Rouge to compel Vietnam to withdraw. Thus, China has generously provided the Khmer Rouge with military supplies, while offering more limited assistance to the other resistance groups. This policy has forced Hanoi to keep its troops in Vietnam and wage a costly war in order to prop up the Heng Samrin government.

Complementing its support for the Cambodian insurgency, China has also deployed up to 300,000 troops in 30 divisions along the Sino-Vietnamese border. Although this has been an inexpensive, low-risk policy for China, it has forced Vietnam to make costly preparations for a potential two-front war by deploying 300,000 of its own troops along the border.[15] Already plagued by an antiquated and misguided socialist system, the military burden further undermined Hanoi's effort to promote any significant economic development. This is especially the case because China and Thailand have experienced rapid economic growth, further reducing Vietnam's relative economic strength.

The ongoing war in Cambodia has isolated Vietnam in international affairs. Not only has it been unable to win support for its Cambodian ally in the United Nations, but its occupation of Cambodia has undermined Hanoi's efforts to seek international assistance for its development efforts. China and the ASEAN countries (Thailand, Malaysia, Singapore, Indonesia, Brunei, and the Philippines) have persuaded the United States, Japan, and the West Eu-

[15] The force figures come from Japanese Defense Agency, *Defense of Japan*, 1988 (Tokyo: *Japan Times*, 1989), p. 58.

ropean economies from trading with Vietnam or granting it aid until it has withdrawn its troops from Cambodia. The clear quid-pro-quo these countries have offered Vietnam has been the lifting of the trade embargo in return for an end to the occupation. The United States has taken the lead in this effort. While it has responded to Vietnamese compromises with positive steps toward improved relations, including granting permission to U.S. groups seeking to transfer humanitarian assistance to Hanoi, Washington continues to withhold normalization of diplomatic relations pending complete Vietnamese withdrawal.

Although Vietnam's leaders also have powerful domestic incentives to adjust its Cambodia policy, including its self-inflicted deteriorating economic system and changes in its leadership, and although they may believe that the Heng Samrin government has developed sufficient staying-power so that Vietnam can now withdraw from Cambodia without incurring significant security risks on its border, the status-quo in Indochina would have served Vietnamese national interests had there not been the associated costs.[16] Those costs were the result of the impact of Sino-Soviet detente on Vietnam and of Chinese policy toward Vietnam and the insurgency in Cambodia.

The Current Situation and Prospects for a Negotiated Settlement

Vietnam has come a long way toward meeting many of the demands of China, the ASEAN countries, and the United States regarding troop withdrawal. In 1988 it withdrew 35,000 troops from Cambodia and, as noted above, in April this year it promised to completely withdraw its remaining 60,000–70,000 troops from Cambodia by September 1989.[17] Vietnam and its Cambodian ally have also made significant compromises toward reaching a political settlement of the Cambodian civil war. The Heng Samrin government has met with all of the opposition forces, including representatives of the Khmer Rouge. It has agreed to hold national elections to form a national reconciliation government comprised of all of the Cambodian factions, with the widely-accepted exception a small number of Khmer Rouge leaders, including Pol Pot. In response to demands that the Vietnamese installed government be disbanded before elections, it has suggested that the elections be run by a non-government organization composed of all four Cambodian factions and it has conceded that the post-election government would have a revised structure and a new name, national flag, and national anthem. Furthermore, Hanoi and Phnom Penh have agreed to international supervision of both the elections and the Vietnamese withdrawal.

China has taken a number of positive steps welcoming Vietnam's policy adjustments. Finally convinced that Vietnam is preparing to withdraw from Cambodia, in January 1989 China received in Beij-

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[16] For a discussion of the post-1979 Vietnamese economy, see. for example, Tetsusaburo Kimura, "Vietnam—Ten Years of Economic Struggle," *Asian Survey*, vol. XXVI, no. 10 (October 1986); *New York Times*, April 24, 1989, *Far Eastern Economic Review*, January 12, 1989, p. 49.

[17] For a recent U.S. Government appraisal of the strength of Vietnamese forces in Cambodia, see David Lamberton, "Update on Cambodia," *Current Policy*, no. 1152.

ing Vietnamese Vice Foreign Minister Dinh Nho Liem, thus breaking China's long-standing refusal to negotiate with Vietnam until it completely withdrew from Cambodia. Beijing has also reduced its military pressure along the Sino-Vietnamese border by curtailing its periodic incursions into Vietnamese territory. Indeed, it has allowed border tension to reduce to the point that Sino-Vietnamese border trade is now rapidly increasing.[18] Beijing has also made concessions regarding a political settlement of the war. It supports a leading role for Prince Norodom Sihanouk in the envisioned coalition government and has opposed the resumption of Khmer Rouge control over Cambodia, thus trying to assuage both Vietnamese and ASEAN fears over Cambodia's future. It has also proposed a conventional arms reduction plan whereby all foreign powers would gradually reduce their aid to the Cambodian belligerents and the factions would eventually possess balanced strength at reduced levels.

Nonetheless, a political resolution to the Cambodian conflict awaits additional compromises from all sides. Both Beijing and Sihanouk continue to demand that the Heng Samrin government be disbanded before elections. They argue that to leave the government in place will amount to legitimating the Vietnamese invasion and, should it survive the Vietnamese withdrawal, conceding a Vietnamese victory. Differences also remain over international supervision of the elections and the Vietnamese withdrawal. Whereas Beijing and Sihanouk call for United Nations peacekeeping forces, Hanoi and Phnom Penh have proposed an independent army composed of forces from a number of different countries. The crux of the difference lies in United Nations support for the resistance coalition as the legitimate government of Cambodia. Because the United Nations supports its adversary, Phnom Penh refuses to allow its forces on its territory.

Compromise on the organization of the peace-keeping forces should be easily reached. Either Sihanouk will concede to Phnom Penh's demands or, once agreement is reached on the make-up of the Phnom Penh government, the United Nations can vacate the Cambodian seat, pending the outcome of elections, allowing Phnom Penh to welcome United Nations peacekeeping forces on its territory.

Face-saving compromises on the interim government should not be overly difficult to achieve. The primary impetus will come from the military reality of Cambodia and the options available to the resistance groups. Although Sihanouk demands that the Phnom Penh government disband itself, he will not be able to achieve at the negotiating table what he has yet to win on the battlefield. Moreover, it now seems that the Heng Samrin government will be able to maintain control over Phnom Penh and other cities and towns following the Vietnamese withdrawal, so that Sihanouk may well be excluded from the Cambodian leadership should he fail to

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[18] Beijing's change of attitude was clearly expressed in Commentator, "A Step Forward," *Renmin Ribao*, January 12, 1989, FBIS, January 12, 1989, p. 9. Also see Tang Ping, "What Does Vietnam's New Decision On Troop Withdrawal Mean?" *Jiefang Junbao*, January 11, 1989, FBIS, January 25, 1989, pp. 7-8. On the border trade, see *Agence France Press*, February 6, 1989, *FBIS*, February 7, 1989, p. 9, *New York Times*, April 15, 1989, p. 4

reach an agreement prior to the Vietnamese withdrawal. He, thus, faces increasing pressure to reach an agreement.

Ultimately, once the outline of an agreement is clear, an international conference will be necessary to nail down the final details and to create commitments on the part of the great powers to the final settlement. At this point, China and the Soviet Union will play crucial roles.

As has been the case up to now, Moscow will be expected to pressure Vietnam to make the concessions necessary for a final agreement. Insofar as the Soviet Union's prestige will be tied to the outcome of the conference and because an agreement will help it to consolidate its developing relationship with China, it will have a significant stake in a successful outcome. Thus, the international conference will play a valuable role in persuading Hanoi to make difficult decisions.

The conference will also contribute to China's support for a political settlement. Indeed, as tensions have subsided in Indochina, Beijing has been a reluctant participant, often grudgingly offering concessions only after it has stood out as the sole remaining hardline state. It has, thus, revealed an unwillingness to be seen as the sole obstacle to peace in Cambodia and suffer the associated isolation. An international conference will focus attention on PRC behavior and China will be held accountable for a failed conference should it be the only dissenting state. Just as a conference will compel Moscow to work for a political settlement, so too will it pressure Beijing to be conciliatory.

Thus, the conflict in Cambodia is approaching a political solution. The remaining issues, given the Cambodian battlefield realities and Chinese and Soviet interests, should be susceptible to a negotiated solution. What remains is for the Cambodia factions to reach a preliminary agreement among themselves and for an international conference to provide incentives for final compromises and to legitimate the ultimate agreement.

Sino-Soviet Competition in Indochina Into The 1990s

A political settlement of the Cambodian conflict will not end the competition between China and the Soviet Union. Despite improving Sino-Soviet relations, both Moscow and Beijing will try to enhance their respective positions in the region insofar as they remain suspicious of each other's long-term intentions. Moreover, the Soviet Union's ongoing competition with the United States in Asia will prompt it to try to retain a significant presence in Vietnam, its only security partner in Southeast Asia. This will frustrate Beijing's objective of developing a greater voice in regional issues.

In the aftermath of a political settlement, China will seek diplomatic opportunities to expand its influence in Indochina. Regarding Sino-Soviet relations, Vietnamese evacuation of Cambodia will not end China's effort to use Soviet desire for improved relations to promote PRC objectives in Indochina. Beijing will seek continuing leverage over Soviet policy-making *vis-a-vis* Vietnam. As in U.S.-Soviet relations, the prospect of each successive Sino-Soviet summit

will create pressure for new compromises and China may well use this dynamic to extract new Soviet concessions in Indochina.

Beijing's Indochina policy will reflect similar efforts to enhance China's role in the region. Should Vietnamese troops leave Cambodia and a political settlement be reached, Beijing will seek to capitalize on traditional Cambodian tendencies to offset Vietnamese power through good relations with China. Sihanouk epitomized this tradition in the pre-1970 period and may well reestablish this policy should he have a role in a new Cambodian leadership. Similarly, Vietnamese withdrawal from Cambodia and improved Sino-Soviet relations will increase Hanoi's vulnerability to Chinese power and its incentive to distance itself from Moscow and seek a more cooperative relationship with Beijing. Thus, China may eventually exercise increased influence in Hanoi and begin to realize its traditional goal of establishing predominant influence throughout Indochina.

Beijing can also be expected to maintain its coercive diplomacy instruments in Sino-Vietnamese relations. Although China may pressure the Khmer Rouge to accept a political settlement of the Cambodia conflict and curtail its arms transfers to the Khmer Rouge if such a settlement satisfies PRC demands, it will not likely allow the Khmer Rouge to whither away. Rather, low-level transfer of non-lethal equipment will maintain the Khmer Rouge as a potential fighting force should Hanoi reconsider its decision to withdraw from Cambodia or adopt other policies contrary to PRC interests. Sino-Vietnamese competition in Cambodia will continue and China will retain its ability to influence events in Phnom Penh. Similarly, China will continue to have the option of increasing Sino-Vietnamese border tension should Hanoi not meet Beijing's expectations of a conciliatory neighbor. Whereas as the trend in SinoVietnamese relations suggests continued conflict reduction, the relationship will remain exceedingly complex with ongoing elements of tension and competition.

Soviet motives are similarly complex. Whereas Moscow has made extensive efforts to promote Vietnamese conciliation, it has not decided to forsake its influence in Hanoi and relinquish its position in Cam Ranh Bay. On the contrary, naval access to Cam Ranh Bay remains a major component of Soviet Asian security policy and of its ability to engage in U.S.-Soviet regional competition. Thus, the challenge for the Soviet Union will be to maintain its presence in Vietnam even as China continues to create pressure for Soviet disengagement and as Hanoi has less need for Soviet political support and military assistance and an enhanced incentive to improve relations with China.

To some extent, Moscow can count on Vietnamese proclivity to avoid dependence of China. Although Hanoi might be able to develop economic relations with the ASEAN countries, Japan, and the United States, only the Soviet Union can offset Chinese military power. In an era of improving Sino-Soviet relations, Moscow will undoubtedly have a diminished role to play in Vietnamese security policy, but the two countries will remain treaty allies and Hanoi will continue to seek a security relationship with Moscow. This will enable the Soviet Union to remain Vietnam's primary arms supplier and to maintain leverage in Hanoi.

The Soviet Union will also maintain its economic relationship with Vietnam. Once Vietnamese troops leave Cambodia, Moscow can be expected to stabilize Soviet-Vietnamese economic relations, albeit at a reduced level. Indeed, in the post-war era economic relations will continue to play a role in Soviet efforts to consolidate relations with Vietnam. Although Moscow will no longer be Hanoi's sole provider, it will likely remain its most important economic partner. Vietnam has few exports with which to earn foreign exchange and, thus, limited ability to pay for the import of industrial goods from either the ASEAN countries or the advanced capitalist economies. Aid from these countries will be limited and foreign investment will make only a minor contribution to Vietnamese development.[19] Only Moscow has sufficient interest to provide Hanoi with large-scale aid and it will thus maintain significant influence in Vietnamese policy making.

Thus, Sino-Soviet competition in Indochina will continue in the aftermath of a political settlement to the war in Cambodia. The Soviet Union will seek to maintain its presence in Hanoi and access to Cam Ranh Bay while no longer bearing the diplomatic onus of supporting Vietnam's occupation of Cambodia and incurring the associated political cost of Sino-Soviet conflict. Beijing will try to take advantage of Sino-Soviet detente, the Vietnamese withdrawal from Cambodia, and China's continued military role in the region to develop influence in Phnom Penh and to pressure Hanoi to develop closer relations with Beijing at Soviet expense.

A settlement of the Cambodia issue will also affect Soviet and Chinese relations with the members of the Association of Southeast Asian Nations (ASEAN)—Thailand, Brunei, Indonesia, Malaysia, the Philippines, and Singapore. China will try to consolidate its position in the region even as the ASEAN countries perceive a reduced Vietnamese threat and thus possess greater flexibility to prepare for the prospect of greater Chinese power in Asia. China faces a difficult challenge because there is little complementarity between its economy and the Asian market economies—they tend to be competitors for the same markets. China also lacks a cultural tradition which might appeal to its neighbors. Indeed, its affinity with the overseas Chinese is an obstacle to improved regional ties. Moreover, its political/economic system is hardly a model given the success of the Asian market economies.

On the other hand, Chinese adherence to a peace agreement which excludes the Khmer Rouge will ease suspicions that China has supported the Khmer Rouge in order to control Cambodia and dominate the region and reduce fears of potential PRC power. Thus, Beijing has a powerful incentive to support an agreement backed by the rest of the region. China may also use arms sales to established ASEAN governments to consolidate its position. It has already agreed to provide Thailand with guided-missile frigates, tanks, and armored personnel carriers, and Bangkok is considering purchasing Chinese fighter aircraft.[20] Other Asian nations may

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[19] For a discussion of the obstacles to doing business with Vietnam, see *The Asian Wall Street Journal*, May 1, 1989.

[20] *South China Morning Post*, November 19, 1988, *FBIS/PRC*, November 21, 1988, p. 19; *Far Eastern Economic Review (FEER)*, December 8, 1988, p. 34.

well consider Chinese arms both inexpensive and sufficient for their limited internal and external defense needs.

As for the Soviet Union, having eliminated the Cambodia issue as an obstacle to better relations with the ASEAN states, Moscow will try to expand its political role in the region. This will be very difficult. While in the past it has relied on its military to promote its policy objectives, it has yet to develop an alternative. It still has no economic incentives to offer the region—its exports hold little interest in Asia and its market cannot attract regional exports. Gorbachev's initiatives will also have little influence in Southeast Asia. Because the ASEAN countries have long downplayed the Soviet threat they are not susceptible to the new face of Soviet power. Thus, the military is apt to remain the most effective Soviet policy instrument in the region, particularly insofar as the Soviet Navy will maintain access to Cam Ranh Bay. Over time, however, the Soviet presence in the region could well diminish as Soviet-Vietnamese relations loosen and because the great cost to Moscow of maintaining a strong naval presence in Asia may necessitate a military retrenchment.

Implications for the United States

Since the fall of Saigon in 1975, the United States has contained Soviet power in Indochina by relying on China to carry primary responsibility through PRC support for the Cambodian insurgency, its presence on the Sino-Vietnamese border, and its contribution to Thai security. With Chinese support, Thailand has allowed all the resistance groups to use its territory for sanctuary and base camps.

While Beijing assumed the lead in Indochina, Washington reduced its presence in Southeast Asia to its ongoing relationship with Bangkok and to its powerful offshore role backed by the Seventh Fleet and its air and naval bases in the Philippines. As a result, the United States has played a limited role in the peace process and it will be unable to influence significantly events in post-war Cambodia.

Regarding U.S.-Vietnamese relations, normalization of relations and opening of trade relations will have little effect on Hanoi's position on Cambodia or its future relationship with the Soviet Union. Vietnam's economy may be in shambles, but U.S. ability to assist post-war Vietnam development is minimal. The United States Congress will not offer more than token economic assistance to Vietnam, if even that, and the U.S. private sector has shown little interest in investing in Vietnam. Normalization of relations and lifting the trade embargo may encourage other nations to follow Washington's lead, but only Japan seems interested in developing an aid program for Vietnam and in promoting trade. But even Japan's ability to help Vietnam is limited. Thus, for the foreseeable future there is no alternative to the Soviet economic presence in Vietnam. Thus, improved U.S.-Vietnamese political and economic relations can only marginally influence Hanoi's policy toward vital security issues—Cambodia and Soviet-Vietnamese relations.

Washington also possesses limited leverage over China. Indochina is as strategically significant to China as Central America is

to the United States and Eastern Europe is to the Soviet Union. Any U.S. effort to compel Chinese leaders to support an agreement that they believe is contrary to PRC vital interests would be counterproductive, for Beijing would resist U.S. pressure and it would create the impression that Washington seeks to undermine vital Chinese security objectives in a region where the United States has little strategic stake. Moreover, Beijing would not uphold such an agreement but would seek to undermine it. This would mean ongoing PRC support for the Khmer Rouge and continued tragedy for the Khmer people. The only good agreement for Cambodia is one which all the parties can accept.

Most important, China has not obstructed the peace process and it is likely to go along with the regional consensus. Thus far, anti-Khmer Rouge sentiment in Asia has been sufficient to promote Chinese conciliatory behavior. This should continue to be the case insofar as Beijing is achieving its most important demand—Vietnamese withdrawal from Cambodia—and it is acutely aware that it would be the isolated state throughout the region should it undermine an agreement and a legitimate Cambodian leadership. This would be especially the case should China try to supply aid to the Khmer Rouge across Thai territory without Bangkok's permission. Such action would arouse fear and opposition throughout Southeast Asian capitals, stimulating perceptions of PRC expansionism and the view that China seeks to dominate Indochina. This would significantly undermine China's regional diplomacy.

The most direct United States involvement entails Washington's support for the non-Communist resistant forces in Cambodia. In fiscal year 1989 Congress allocated $5 million dollars for non-lethal assistance and $500,000 in excess Department of Defense stocks to the two armed forces under the command of Prince Sihanouk and former Cambodian Prime Minister Son Sann, respectively. For fiscal year 1990 the State Department has requested $7 million in non-lethal aid and again $500,000 in excess Department of Defense stocks.[21] This program expresses Washington's moral outrage at the prospect of the Khmer Rouge returning to power, adds international legitimacy to Sihanouk's bid for Cambodian leadership, and sides with the objectives of both the ASEAN states and the Cambodian people regarding the exclusion of the Khmer Rouge from the post-war leadership.

Nonetheless, U.S. aid will have little effect on the balance of power among the resistance forces in post-war Cambodia. Son Sann's forces have deteriorated in recent years and make little contribution to the anti-Vietnamese war effort. Sihanouk's forces have recently improved, but they lack the organization, commitment, and discipline of the Khmer Rouge forces. Sihanouk's strength lies in his person rather than in his military. After a settlement he will lack the numbers and organization to pose an alternative to the Vietnamese-backed Cambodian administrative system. Thus, although the United States should continue its low-risk, low-cost support for Sihanouk, for it serves a variety of important U.S. objectives, it must be aware of the limited impact such support will

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[21] See William J. Clark, Jr., "FY 1990 Foreign Assistance Requests for East Asia and the Pacific," *Current Policy*, no. 1150.

have on future Cambodian politics. Just as Washington has been an insignificant actor until now, so too will it have a minor influence on post-war Cambodian politics.

Nevertheless, despite U.S. distance from the diplomacy of Indochina, the emerging Cambodian settlement will not only remove Vietnamese troops from Cambodia and bring peace to the region, but it will also serve wider U.S. objectives in Asia. A total victory for the resistance forces would have brought the Khmer Rouge to power and created the potential for Chinese dominance in Cambodia. This would have been inimical to the interests of Thailand and the other ASEAN countries. The expected settlement has greatest potential to foster an independent Cambodia.

The prospective agreement also serves U.S. interests *vis-a-vis* the Soviet Union. Peace in Cambodia will lessen Vietnamese dependence on the Soviet Union and reduce Hanoi's incentive to provide Moscow naval access to Cam Ranh Bay. Although Hanoi will begin to accommodate itself to Chinese interests, its policy will gradually reflect a balance between Moscow and Beijing. An agreement will also allow Hanoi to devote itself to economic development, which should enhance Vietnamese interest in regional stability.

The one caveat to this positive assessment concerns the implications of changing Sino-Soviet relations for relations between Washington and Beijing. Although the Soviet presence in Indochina will continue to create conflict between Moscow and Beijing, the withdrawal of Vietnamese troops from Cambodia removes a significant strategic component to the Sino-Soviet conflict. Facing diminished concern over the Soviet threat, Beijing's Asia policy will no longer be as anti-Soviet. Because these changes in China's Soviet policy complement diminished U.S. threat perception of the Soviet Union, U.S.-China relations may now become more complex and require greater diplomatic management as the strategic imperative for cooperation is reduced and issues previously overlooked in the interest of cooperation become subject to negotiation. This, however, is an acceptable price to pay for peace in Indochina.

Since 1975 Washington has been a spectator to events in Indochina. It has had no significant interests at stake and has allowed others to "roll back Soviet expansionism" in Indochina. The only down side to this policy is that Washington now lacks the ability to influence events. Only substantial commitment of U.S. prestige and resources can alter this, and this is highly unlikely insofar as there is no domestic support whatsoever for a more active U.S. role in Indochina. Moreover, it is unnecessary, for others have successfully promoted peace in Indochina and, indirectly, U.S interests—Vietnamese withdrawal from Cambodia, the best hope for a relatively moderate and independent Cambodian leadership, and the prospect of reduced Soviet presence in Southeast Asia. U.S. Indochina policy has been a major success and there seems little reason for change. [end of prepared paper]

Dr. GOLDMAN. Thank you very much, Bob.

Our third speaker is someone who certainly at this table needs no introduction. I can remember when Don Zagoria's seminal work on the Sino-Soviet conflict was first published. I read it with avid

interest as an undergraduate—that must have been eight or nine years ago, right Don? [laughter] And Don, of course, has continued to work as one of the major figures in the field of Sino-Soviet relations. Don is going to share with us now some thoughts on the broader Asian regional perspective and the implications of the current Sino-Soviet rapprochement.

STATEMENT OF DONALD ZAGORIA, PROFESSOR OF GOVERNMENT, HUNTER COLLEGE

Dr. ZAGORIA. Thank you, Stuart. I wrote a short paper which tried to address three questions and then my hosts gently called to my attention this morning, about two hours ago, that none of the three questions I was addressing had much to do with the topic of this panel which is the regional perspective. So I'm therefore going to address the three questions I addressed in my paper plus a fourth question on the regional issue: "What's the most interesting regional question to ask?"

First, let me just briefly and very quickly go over the three questions that I thought were most important to set the general stage.

The first is what has brought about the Sino-Soviet detente? The second is what are its limits? And, the third is what are its implications for the United States?

As to what has brought it about, probably the most important thing is changing Soviet policies under Mr. Gorbachev. To put it very simply, Gorbachev has shown more flexibility towards China than any of his predecessors.

Secondly, the Chinese attitude towards the Soviet Union is changing. In the '60s and '70s they used to regard the Soviet Union as the greatest and most imminent threat to Chinese security. They've now concluded that the Soviets require a long breathing space and are not an imminent threat.

Thirdly, the ideology factor has substantially diminished since the death of Mao Zedong. Both sides are now led by pragmatic leaders seeking a non-Stalinist path to socialism. And both of them have very powerful motives to continue this process of normalization so long as their major thrust is on reforming their economies.

Also, both sides have a stake in increasing their flexibility in a great power triangle. The Russians hope to weaken the American alliance system in Asia, distance China from the United States and weaken the whole American base structure in Asia. They've changed their tactics considerably, but not that basic thrust. And of course, for both sides there are also economic considerations.

So, in other words, for a number of reasons, they both have substantial interest in detente.

What are the limits of this new detente? First of all the Chinese are going to continue to want to hold the Russians at a certain distance. And there are a lot of reasons for that, but I would say, first of all, the Chinese enjoy much greater freedom of movement by virtue of balancing between the two superpowers than at any previous time since they took power in '49, and the kind of balance that they've adopted since the early '80s is simply the most intelligent policy for them rather than allying with either superpower against the other.

I think a second factor here is that so long as the Chinese are so preoccupied with modernization and so long as China's trade with the United States, Japan and the Pacific market economies constitutes something like two-thirds or more of its trade compared to less than five percent with the Russians, that they're going to be careful not to alienate the West.

And I think thirdly, although the Soviet Union is now a much diminished threat as far as the Chinese are concerned, the fact is that even after the Soviets make all these reductions in Asia, they're still going to have the largest military force on the Eurasian continent, one-third of their nuclear forces are still going to be opposite China, they still have a big air force with Backfire bombers, and so on and so forth. So I think China will continue to have an interest in balancing Soviet power by maintaining stable relations with the United States and Japan.

Fourth, I think there is a certain wariness in China, as there is in the West, about Gorbachev's motives and about his chances for success.

And finally I think the Soviet Union and China are bound to be geopolitical rivals in various parts of Asia.

As to the implications of this detente for the United States, it seems to me that the mainstream American attitude, which in this case I think is correct, is rather relaxed about the Sino-Soviet detente, and I think for some good reasons. First, because we perceive both countries are preoccupied with reforming bankrupt Stalinist systems, a process that could take decades, and during which they will both need stable relations with the West in order to have access to trade, investment capital, and so on.

I think a second factor is that in order to improve relations with China, the Russians have had to do things that are in the American interest. They've had to get out of Afghanistan, they've had to reduce their forces in Asia, they've had to put pressure on the Vietnamese to withdraw from Cambodia, and so on.

And I think third, there are inherent limits to any Sino-Soviet rapprochement.

And finally, and this is I think an important point, this Sino-Soviet detente is taking place at a time when Soviet-American relations are improving and Sino-American relations are fairly stable. So there's no odd man out in this triangle.

The United States would be much more concerned about improving Sino-Soviet relations if our own relations with either the Russians or the Chinese were to deteriorate.

Well, as to the fourth issue, the regional perspective, it seems to me that there's an optimistic view and there's a pessimistic view, Banning Garrett articulated the optimistic view, and on Mondays, Wednesdays and Fridays I agree with him. The optimistic view would say that, well, yes, the Russians are becoming much more sophisticated, they're much more flexible, they're much more activist in their diplomacy; but they are, after all, downplaying the military instrument and they're trying to get into the political and economic game, and after all that's our game. So we should be able to beat them at our game.

And the optimistic view, I suppose, would argue that there's simply no substitute for the United States leading this Pacific

system so long as—and that's an important so long as—the U.S.-Japan alliance, which we haven't talked too much about so far this morning, remains at the cornerstone of this whole security structure. And one could argue that given all this, there's no likely challenger to the American hegemony in the Pacific. The U.S. is the only multi-dimensional power with economic, cultural, military, and political influence. It has a series of alliances. Most of the countries in the region want us to remain there because they're distrustful of other powers. The Soviets and the Chinese are going to be weak. And it's going to be a long hard road ahead towards reform, and so on and so forth. That's the optimistic view.

The pessimistic view, I think, would focus on the potential for breakdown of the U.S.-Japan relationship.

Now if you couple that with the fact that the American political system seems to be incapable of addressing the very serious macroeconomic problems that we face because of the stalemated political system that we have, then I think one has to really start worrying about the future of U.S.-Japan relations.

If you couple a sort of gradual erosion of the U.S.-Japan alliance with a much more sophisticated, adroit Soviet policy, then I think you've got some problems.

THE SINO-SOVIET DETENTE

(Prepared Paper by Don Zagoria)

The new detente between the Soviet Union and China, symbolized by the mid-May summit meeting between Gorbachev and Deng, raises three questions. What has brought it about? What are its limits? And, what are its implications for the United States?

Changing Soviet policies towards China have been one factor instrumental in bringing about the new detente. Gorbachev has shown more flexibility towards China than any of his predecessors. He accepted in principle the Chinese position in the dispute over the Amur River border: namely, that the main channel should be taken as the boundary. This concession led to a revival of the border talks which had been suspended for many years and raises the possibility of a breakthrough in the border dispute. Gorbachev has also systematically made concessions on China's three declared obstacles to normalization of Sino-Soviet relations by withdrawing from Afghanistan, promising to withdraw 200,000 troops from the eastern portions of the USSR, and pressuring Vietnam to withdraw from Cambodia. The Soviet leader has also said that the Soviet Union would cut three-quarters of its troops in Mongolia.

Thus, in terms of the longstanding border dispute and the security environment, there has been a substantial easing of tensions because of changing Soviet policy.

A second factor instrumental in bringing about the Sino-Soviet detente is China's changing view of the Soviet Union. In the late 60's and up until the early 80's, China regarded the Soviet Union as both the greatest and most imminent threat to China's security. In more recent years, China has concluded that the Soviets require a long breathing space in international affairs in order to deal with

their internal problems. Beijing thus sees a diminished and less imminent Soviet threat.

Meanwhile, the ideological factor in Sino-Soviet relations has greatly diminished since Mao Tse-tung's death in 1976. In Mao's day, the Chinese criticized the Soviets for practicing "revisionism" and "social-imperialism" and the Soviets accused the Chinese of "dogmatism" and "ultra-leftism." Now both countries are becoming more pragmatic in their search for a viable, non-Stalinist model of socialism.

Both sides have powerful motives to continue the process of easing tensions and normalizing relations. So long as Moscow and Peking are led by reformist leaders, each believes that its most urgent priority for the next decade or more is to modernize and to reform its economy. This requires a peaceful international climate, a reduction of forces on the border and a transfer of resources from the military to the civilian sectors of the economy. They both also hope to increase their flexibility and maneuverability in the great power triangle including the United States. Gorbachev hopes to distance China from the United States and to increase Soviet influence in Asia in order to weaken American prestige and power. Soviet Foreign Minister Edward Shevardnadze, after his meeting with the Chinese Foreign Minister last December, said that the philosophy of "blocs" is becoming obsolete and that thought should now be given to eliminating military-political alliances. And, Soviet commentators never tire of pointing out how Soviet and Chinese foreign policy positions coincide and differ from those of the Americans: e.g. on such issues as opposition to SDI and support of "no first use" of nuclear weapons.

The Chinese, for their part, also hope to gain greater leverage on the United States over Taiwan and technology transfer by easing tension with Moscow.

For both sides, there are also economic considerations. The Soviet Union is now China's fifth largest trading partner and border trade is expanding with particular rapidity. The two countries are also studying a variety of proposals for joint ventures. For both Moscow and Beijing, there is not only the advantage of proximity and a certain degree of economic complementarity. There is also the fact that by using barter trade, they are able to preserve scarce hard currency.

In sum, for a number of reasons, the Soviet Union and China are likely to succeed in normalizing their relations in the years ahead. In retrospect, the years of alliance in the 1950's and the years of bitter confrontation in the 60's and 70's were products of transient circumstances. The 1950's Sino-Soviet alliance was borne from a combination of a common ideology and a common threat. At that time, both Moscow and Beijing shared a strong commitment to world revolution and both felt threatened by American power. The sense of ideological brotherhood has sharply diminished in the intervening years as more pragmatic leaders have come to power in both countries. The sense of common threat has also diminished as both countries have improved relations with the United States. China, for its part, no longer sees the United States as a threat to its security as it once did.

The years of bitter confrontation resulted from bitter ideological disputes, bloody border conflicts, and a steadily increasing Soviet threat to Chinese security, including a military buildup on China's border, Moscow's support for a Vietnamese invasion of Cambodia, and the Soviet invasion of Afghanistan. In recent years, disputes over ideology have sharply diminished, progress has been made on a border settlement, and, as part of an overall downgrading of the military instrument of power, Gorbachev has begun to scale back Soviet forces on the Chinese border, including those in Mongolia, to withdraw from Afghanistan, and to encourage the Vietnamese to withdraw from Cambodia.

What are the limits of Sino-Soviet detente? Although Russia and China may succeed in normalizing their relations during the 1990s, it is inconceivable that they could return to a 1950s type alliance and extremely unlikely that they could develop an intimate and trusting relationship such as the one that exists, for example, between the United States and Canada.

There are a number of reasons why China is likely to hold the Russians at some distance. First, the PRC today enjoys greater freedom of movement by virtue of its position between the Soviet Union and the United States than at any previous time since the Communists took power in 1949. Balancing between the two superpowers while seeking advantages from both, rather than allying with either, is the most intelligent foreign policy for China.

Second, in the economic sphere, so long as modernization remains China's primary goal, good relations with the United States, Japan and the other Pacific market economies are indispensable because those countries are the principal sources of China's trade, technology, investment and training.

China now conducts about 5% of its trade with the Soviets, while its trade with the United States, Japan and other Pacific countries constitutes more than two-thirds of its trade. Japan and the United States are also two of the major sources of financial assistance, investment and technology for China. Beijing is bound to be careful not to do anything that would jeopardize these economic ties that are crucial to its long-range modernization program.

Third, although the Soviet Union is now a much diminished and less imminent threat to China than it was in the 60's and 70's, Soviet power still encircles China. The danger is no longer the threat of invasion, but the threat of coercion and pressure remains. Even if the Soviet Union reduces its armed forces by half a million men, as Gorbachev has promised, the Soviet Union will retain the most powerful army on the Eurasian continent. Moscow will have about one-third of its nuclear weapons and close to one-third of its ground forces on or near China's border. It will continue to maintain a huge Pacific fleet off of China's coast along with a rapidly growing air force in Siberia. And the Soviet Union will continue to be the principal arms supplier to two of China's neighbors who seem destined to be long-range rivals—India and Vietnam. So long as this situation remains, China will want friendly and stable ties with the West and a strong U.S.-Japanese alliance to serve as a crucial counterweight to Soviet power.

Fourth, there is continuing wariness in China, as there is in the West, about Gorbachev's motives and about his chances for success.

A number of Chinese analysts believe, as do many in the West, that Gorbachev is retreating now only in order to gain "breathing space" so that he can reinvigorate Soviet power and make the Soviet Union a more formidable great power in the next century. While the Chinese approved of Gorbachev's announced reduction of 500,000 troops, at least one official Chinese commentator noted that this reduction in part has been designed to weaken European defense efforts, to dampen defense cooperation between the U.S. and Europe, and to strengthen calls for a U.S. troop withdrawal from Europe. Other Chinese analysts have warned that the new Soviet "peace offensive" in Asia is designed to sow discord in U.S. relations with China, Japan and other Asian countries.

The Soviet Union has its own reasons for wariness about a more powerful and modernized China. It has become increasingly clear in recent years that China is determined to become a great power and to be independent of both superpowers. The rise of a great power of more than one billion people equipped with nuclear weapons and pressing on the sparsely populated Soviet borders in Siberia is sufficient reason for Soviet concern. High ranking Soviet officials have in the past articulated those concerns and have concluded that the Soviet Union will need to foster good relations with a number of Asian states in order to balance China's power. One Soviet official even named India, Indonesia and Vietnam as natural partners in the effort to contain China in the 21st century.

Finally, the two great continental land powers are bound to be political rivals in Asia in the coming decades. Even if Vietnam withdraws from Cambodia, China and Soviet-supported Vietnam will continue to eye each other warily. Hanoi still keeps a large portion of its 1.2 million-man army on the Chinese border; there is a continuing territorial dispute between Beijing and Hanoi over the Spratly islands in the South China Sea; and, during the past year, there have been naval engagements between the two countries. China will therefore continue to be wary about Vietnam's alliance with Moscow. To balance the Soviet-Vietnamese combination, China and Thailand are developing a much closer military relationship. The two countries have recently agreed to set up a war reserve stockpile on Thai territory.

There is a similar geopolitical rivalry between Moscow and Beijing elsewhere in Asia. In Korea, which borders on China's strategic province of Manchuria, the Chinese are concerned about growing military ties between Moscow and Pyongyang. In South Asia, the Chinese are concerned about the Soviet-Indian connection and Soviet pressure on Pakistan.

What are the implications of the Sino-Soviet detente for the United States? First, so long as both Russia and China are preoccupied with reforming their bankrupt Stalinist systems, a process that could take decades, they will both need Western technology, trade, investment and capital. And they will both want to be included in the Western trading system and in such international economic organizations as the GATT, the IMF, the World Bank, the Asian Development Bank, etc. As a result, they will want a peaceful international environment and stable relations with all the Western powers, particularly the U.S.

Second, in order to improve relations with China, Gorbachev must do a number of things that are in the American interest. He must withdraw from Afghanistan, reduce his forces in Asia, and get the Vietnamese both to withdraw from Cambodia and to agree to a compromise political solution in Phnom Penh.

Third, for reasons already suggested, there are inherent limits to any Sino-Soviet rapprochement.

Finally, the Sino-Soviet detente is taking place at a time when Soviet-American relations are improving and Sino-American relations are stable. Under such circumstances, there is no "odd man out" in the strategic triangle and improvements in Sino-Soviet relations do not threaten American interests.

The United States would be much more concerned about improving Sino-Soviet relations if its own relations with either Moscow or Beijing were to deteriorate. If, for example, Soviet-American relations were to worsen and a new Cold War atmosphere developed, the United States would be much more concerned about improving Sino-Soviet relations than it is now. The same would be true if Sino-Soviet relations were improving while U.S.-Chinese relations were worsening. In sum, much depends on the stability of the great power triangle and of the larger Pacific quadrille, including Japan.

Fortunately, the 1990s is likely to see a stable and generally improving relationship among all four major powers in the Pacific. Both the Soviet Union and China will probably continue to be preoccupied with reform efforts at home and will therefore need a calm international environment. For both countries, so long as they are concentrating on reform and modernization, good relations with both the United States and Japan will be critical.

Of course, it is possible to imagine more pessimistic scenarios that would lead to instability among the major powers in Asia. In either Russia or China, reform leaders might fail and be replaced by more conservative, neo-Stalinist leaders determined to cut back on political and economic liberalization and on the "open door" policies. In China, conservative leaders forced the resignation of the former Party secretary, Hu Yaobang, one of China's most articulate reformers and they reportedly have also sought to remove Zhao Ziyang, the current Party leader and another strong advocate of reform. If, in the post-Deng era, the Chinese were to curtail their reform effort and to cut back on economic relations with the West, this—combined with possible new tensions over Taiwan and the human rights issue in China—could lead to a worsening of Sino-American relations.

Similarly in the Soviet Union, it seems clear that there is a conservative opposition to Gorbachev. At least one important Party leader, Yegor Ligachev, has expressed skepticism about certain aspects of Gorbachev's "new thinking" which place less emphasis on struggle with the West as a cardinal element of Soviet foreign policy. If Gorbachev were to be overthrown and replaced by a more neo-Stalinist Soviet leadership, there could be a shift in Soviet foreign policy to a more hostile stance towards the West as well as a cutback in reform efforts at home. Such a development could lead to a downturn in Soviet-U.S. relations. Under such circumstances, the U.S. would be more concerned than it is now about a Sino-Soviet rapprochement.

Barring such worst-case scenarios, the West has little to fear from a Sino-Soviet accommodation under existing international circumstances.

There may even be some benefits from a Sino-Soviet detente. Improving Sino-Soviet relations mean that there is less chance of war and military conflict between the two great powers and that the world is therefore a safer place than it was in the late 60's and again in the late 70's when such military conflict seemed possible.

It is also likely that the Sino-Soviet detente may improve the prospects for both sides cutting their military budgets, reducing their forces in Asia, and expressing greater interest in arms control. At some point in the future, there could be conventional arms control talks between the two countries and China might be drawn into the Soviet-American negotiations on strategic arms control.

The Sino-Soviet detente could also improve the prospect for easing some of the regional conflicts. In part because of Soviet pressure, Vietnam has already become more flexible in Cambodia. And North Korea is feeling pressure from both Moscow and Beijing to come to terms with South Korea. To be sure, what the Vietnamese and North Koreans do will not be completely determined by pressure from Russia and China. But such pressure, if it continues to be exercised in the direction of moderation, will be one of the elements that both small powers will have to take into account. [end of prepared paper]

Dr. GOLDMAN. Thank you very much, Don, for that lucid and insightful presentation. And now, without further ado, I'd like to throw the floor open to questions, starting with Harry Gelman.

Dr. GELMAN. I just want to associate myself with Don Zagoria's suggestion that the demise of the triangle is a little premature. It is my personal belief that one of the contributing factors—by no means the only one, but a fairly important one—that induced the Chinese to move to accommodate the Soviets and reach a summit, was Mr. Reagan's visit to Moscow. The U.S. behavior with the Soviet Union has been on the Chinese mind all along. There have been a lot of other factors: Gorbachev's behavior generally, internally and externally; the degree of progress that has occurred in Indochina; the progress made regarding Soviet forces reduction; and so on and so forth. But the Soviet-U.S. relationship is definitely a factor on the Chinese mind and I think it's going to remain so.

Moreover, a good many of the tactics that the Soviets have been displaying in their negotiations with the Chinese over the last six months have very clearly been worked out with the U.S. and its alliance relationships in mind, both in Asia and in Europe. And I'll spell that out later.

In regard to Robert Ross and a really very excellent presentation, the best I've ever heard on this subject, I have a couple of "i's" I'd like to dot.

The picture you paint, which is fairly convincing, is that we're going to end up with Sihanouk essentially a figurehead even if to save his feelings nobody's going to say that. And that's of course what he's running around and complaining about.

The ministry of national defense and the ministry of the interior and the instruments of coercion that exist in Phnom Penh are going to remain essentially under the control of people who are oriented toward Hanoi. This, I submit, is the fundamental reason why Deng Xiaoping a few weeks ago made that off-the-cuff comment you will have heard to the effect that "The Vietnamese are getting very cocky." The Vietnamese are indeed getting very cocky because the direction of events in fact is sliding down toward them. China is being forced willy nilly to accommodate this reality, and the Chinese are rather unhappy about it.

There are, of course, questions of fact. Will the Vietnamese in fact pull out all their troops or will they, as the Chinese keep maintaining, leave a certain number behind in Cambodian uniforms? If the Vietnamese do cheat too outrageously, will the Chinese swallow even that? There is thus this variable, centering on how much the Vietnamese think they can get away with, which is still unsettled.

Then there is the question of Soviet economic pressure on the Vietnamese to be accommodating and get out of Cambodia. There seems to be an intrinsic contradiction here, Robert, in what you've been saying. You're suggesting that they were hinting to the Vietnamese that they would reduce enormous subsidies to the Vietnamese economy if the Vietnamese didn't come along. Yet you go on saying that in any case they're going to continue these enormous subsidies, regardless of the fact that this expenditure has been an anomaly for a long time, something the Soviets really can't afford. So there's a question of bluff there.

It seems to me there's an essential gamble, on the Chinese part—and this is my concluding remark—which is inherent in your analysis. I have talked to some Chinese diplomats who have talked about the new Vietnamese leadership and have raised hopes, have expressed hopes that Chinese influence could in fact increase in Hanoi in the wake of a settlement. And they've expressed a certain amount of encouragement about the new secretary general of the Vietnamese communist party. Of course, he has his own problems inside the Vietnamese party and it's by no means clear how all that is going to work out either internally or externally. So the Chinese may well be buying a pig in a poke if they place a great deal of hope in this possibility as compensation for what they are in fact giving up in terms of the hopes they had earlier entertained to drive Vietnamese influence out of Phnom Penh.

Now the conclusion I draw from all this strongly reinforces your suggestion that Sino-Soviet rivalry in the Indochina peninsula is going to go on for a very long time.

The final point I want to make is you didn't talk about fighting. I think there's going to be fighting continuing in Cambodia for a long time; in other words, the situation is likely to be Afghanistized. The Khmer Rouge is not going to stop, nor do I think they are going to lack the military capabilities to enable them to keep the fighting going. This is going to be an ongoing reality with which the Chinese, the Soviets, and we will all have to come to grips. What is our attitude going to be to ongoing civil war there?

Dr. Ross. On Sihanouk, yes and no. The term "figurehead" may be too strong a word. I don't think that the Phnom Penh regime

can begin to treat him the way the KR did, so he will be an independent actor. And in diplomacy he will have some influence just because people listen to his statements. And if he makes trips to Beijing, if he has diplomacy with Thailand, that will count, just because of who he is and because that is the nature of diplomacy. Nonetheless, it remains unclear as to how influential he can be.

Will the Chinese compromise, and will Vietnamese troops remain in Cambodia?

The real issue in Chinese policy is whether Beijing has a choice. And by that I mean how is China going to get aid to the KR if Thailand signs on to an agreement? The image of China repeating its behavior of the '60s, where it was sending weaponry into Thai territory and infringing on Burmese sovereignty is just hard to imagine today. So it is difficult to conceive how China can continue to support the KR to obstruct Vietnamese positions in Cambodia. Their card to play, if you will, is the border. And they can continue to put pressure on Vietnam should things work out in Cambodia not to their liking, without necessarily upsetting a Cambodia agreement.

I think the Vietnamese are aware of that and they will have to play it carefully.

Will Vietnamese troops remain in Cambodia? I would imagine some troops will remain, but we need to remember that Sihanouk was very adept in the '60s at having an independent foreign policy even though the Vietnamese occupied the entire stretch of the eastern border. So that Cambodian diplomacy need not be so dependent on Vietnam and tilting toward Vietnam even if Vietnamese remain. There's a lot of ambiguity there that can be played out.

Concerning ongoing fighting, back to the earlier point. The intelligence community says the KR have two years of stockpiled weaponry in Cambodia. Well, maybe. But that is a part of the world where we all know too well weapons rust and don't work too well, and I would imagine defections would increase if Sihanouk signs on to a coalition government. This is not a group that can grow opium, grow heroin, to accumulate foreign exchange. It's not a group that's going to be supported in the international arms market. So I think there are diminishing returns on this. The unfortunate thing is that any agreement which does not include the KR will be an agreement which will have unfortunate results for the Cambodian people. But I do not think the KR can continue to fight indefinitely.

I would imagine the Chinese would like a situation where they can keep the KR alive through what we would call euphemistically "humanitarian" aid or "non-lethal" aid. And I would imagine nonlethal aid to the KR through Thailand may be something both sides can sign on to. It is a way to keep this card should it ever become necessary. But I can't imagine the Chinese continuing to supply military weaponry to the KR because the repercussions for their entire Asia policy would be fairly devastating.

Dr. GOLDMAN. Thank you very much. I think John Endicott had a comment or question to address across the table to Don Zagoria.

Dr. ENDICOTT. On Dr. Zagoria's intervention, I couldn't agree more with your concern. But one of the things that unfortunately overshadows our focus is that we look so much at the dynamics of

the unbelievable things that are happening in the Soviet Union and of course in China, and we do not get to focus on those kinds of things that I call almost revolutionary in nature that are going on in Japan.

Right now there is fundamental social, cultural, political change that is going on that is the result of what in Japan they call the "shinjinrui," or "new human beings"; the generation that was born since 1954, the "shinjinrui." These individuals are not going by the old game plans, they are not adhering to the reciprocal relationship drives that used to be the mortar to hold society together there. They have broken out of the mold completely. And one of the most dynamic evidences of this is the Recruit Cosmos affair. This scandal was basically picked up by a group of cub reporters who would no longer go by the old rules of information exchange between patron and client and buy that kind of relationship with their superiors. It is a whole new kind of relationship where recognition of merit and instant gratification, etcetera, have become new objectives of this new group.

What I am trying to say here is that we have in Japan going on right today such things as tax reform, agriculture reform, distribution system reform, education reform and the new role of women in all these things that are going to fundamentally change the nature of the Japanese society. The basic reforms that were first articulated in the postwar constitution were applicable to the institutions of Japan, and the democratization of the institutions of Japan has been accomplished. What we are seeing now is the democratization of the individual—with a small "d" for sure—and a convergence, basically, of the Japanese society in democratic terms with that of the United States. The power of the Japanese electorate to force policy change is becoming a reality.

The thing that disturbs me so very much is that there is, of course, in Japan the historic group who endorse "nihonshugi," Japanism. This is the Japanese world view that Japan is unique and therefore must find its future by its own resources. The things that we are doing in the United States basically, on the floor of the Congress, where you hear some of these unbelievably strident statements that are anti-Japanese basically, are feeding rightist groups in Japan. Even the extreme right of the LDP has responded by forming a suprapartisan faction that has about 45 or 50 members who are extremely sensitive to criticism of Japan. Whenever things "hiccup" in the American Senate or House, they are echoed through the LDP in this right-wing group. It is very nationalistic.

So I'm very concerned that our own actions at this point disrupt a development that is going on at the democratic and individual level in Japan by feeding the sort of nationalistic tendencies of a certain group that stand out and who are really at odds with those in Japan who have for so many years been fundamentally committed to cooperation on the international level with the United States.

Dr. ROBERT SUTTER. I think these discussions have really been excellent in looking at a variety of actors in Asia. But one actor that I think we haven't looked at enough is North Korea, and I wonder if we could look at that a little bit, because I think it overlaps a bit from the first panel into the second panel as well. And the picture

I'm getting as to what the change in Sino-Soviet relations means for North Korea is that, from this morning's discussion, I get a sense that it puts pressure on the North Korean leadership to reform more. And from the second panel's discussion I get a sense that the room for maneuver of North Korea is somewhat reduced, in particular as both the Soviet Union and China improve their trade and economic relations with South Korea and have an interest in that, that this limits the maneuver room for the North Korean leadership.

We all know that North Korea is in the middle of a delicate political situation, a crisis of leadership transition seems to be underway. And so I'd just like to ask the panelists from both the first and the second panels, or any others who may wish to comment on this, as to what they see as the impact of the change in Sino-Soviet relations on North Korea.

Dr. ZAGORIA. Well, I agree with your two points, but with some caveats. The death of Mao was clearly critical in China and the advent of Gorbachev was clearly critical in the Soviet Union, although to be sure there have been efforts at reform before Gorbachev. But certainly the intensity of reform picked up considerably under Gorbachev.

Although, as you say, undoubtedly there are going to be pressures for reform on Kim Il Sung, I think we should not underestimate the capacity of these leaders to resist those pressures.

One of the most interesting things I have read about North Korea is this Asia Watch Report which came out and said that on the basis of interviews with North Korean refugees the North Koreans had divided up their society into three classes: the loyal class, which was only 25 percent of the population, which lived mainly in Pyongyang; the enemy class, which lived in the Gulags, another 25 percent; and then 50 percent of the population which were considered waverers.

This is a society that out-Maos Mao in principles of social organization. For such a society and system to open up to reform—I mean the convulsions that you would have in that kind of system, I think, are likely to be substantial.

So I don't expect there to be any perestroika in Pyongyang so long as Mr. Kim Il Sung is around.

Dr. ELLISON. I'd like to pick up right there, if I could, in response to Mr. Sutter's question. It seems to me that reforming Kim Il Sung is akin to reforming Ceausescu; it's a mission impossible. But the other side of the coin is the capacity of the Soviets and the Chinese jointly to influence North Korean foreign policy. They have already applied some of their influence, and North Korea continues to be heavily dependent on both Soviet military aid, which is still forthcoming and Soviet economic aid, and there have been visible shifts of North Korean policy in response.

But what interests me about the Korean situation—and I was going to put this question to Mr. Endicott—is how you see the interaction between the Chinese and the Soviets in this complex interrelationship between North and South. And then the other question, which I must say I know nothing about, what are the potentials for change after Kim? Is there indeed a broader group of actors in this North Korean political situation whose voice and

whose influence may be forthcoming and influential, both in forming the transition and in determining policy afterward?

Dr. DOUG PAAL. I was just going to tack onto what Don Zagoria said with regard to North Korea.

We have different perspectives about North Korea from the Chinese and the Soviets, but the fundamental assessment of the character of that regime is virtually identical from conversations and readings on what the Soviets and the Chinese say about it. It's one area where we really share a basic judgment about the place.

And just to take advantage of the opportunity to make a point of what Herbert Ellison just said, I think the question of what opposition there might be or what alternative viewpoints might be, given the character of that regime, is utterly unknowable.

Dr. ROSS. Just a quick comment on what Doug Paal was saying. When Herb (Ellison) and I were in China, we met a few Korean experts. And I turned to one of them and I said, if anyone knows anything about this North Korean regime it must be you. Help us. And the guy said, we do not interfere in North Korean politics.

Dr. GELMAN. I really boils down to Kim Chong Il, the son and heir, and his relationship with various other actors, including of course principally the North Korean military. We don't know much at all, and we're not likely to know much. But we do, I think, have little fragments of evidence which do suggest that there is continual, ongoing, behind-the-scenes churning and struggle. I'm told by one very astute observer, one of the few who watch it very intensely in this country, that there was considerable evidence of disarray in the Pyongyang press on the occasion of the visit of the South Korean businessman to Pyongyang. This suggested some internal disagreement, at least at a tactical level, over whether to move in the direction of economic dealings with South Korea.

I am given to understand that the Chinese do not take a very optimistic view of Kim Chung Yao personally. They may have a little better insight into it than we do.

Dr. DREYER. Correct me if I'm wrong, but it seems to me that the North Koreans must be feeling a little bit uneasy at this point, because the demographic trends favor the South and the economic trends favor the South. Traditionally it has at least looked to me as a nonexpert as if the North Korean leadership has been quite clever at steering the middle course between Beijing and Moscow. It now looks as if Beijing and Moscow are heading toward Seoul. This must make them very uneasy.

Now, if one is in this situation, if I've correctly described what's going on, there seem to be two options for North Korea. One is to accommodate and try to seek some sort of rapprochement with the South; the other is to do something out of desperation.

Now, accommodation is the logical option, but I have noticed before that the North Korean government does not always act in accordance with my idea of logic. And could you correct me on that?

Dr. ENDICOTT. Well, Lord knows . . . [laughter] The factions that are developing within North Korea—and it's very difficult to say how many there are and who they are—seem to have different ideas of leadership. Whenever visitors that I know go to North Korea and ask to see Kim Chong Il, the people that they're put in

contact with say, "Well he really doesn't matter." That goes, of course, in direct opposition to the visiting teams that mention Kim Chong Il just in passing, and all the Korean members of the delegation stand at attention, just by the mention of his name. So, I remain silent; I think North Korea is the original mystery wrapped in an enigma. Selig Harrison, of course, is going to have a group of four North Korean scholars visiting Washington on the 30th and 31st of May. This will be a rather significant break and maybe an indication that they're catching the Chinese disease also.

AUDIENCE. Bob Sutter mentioned North Korea. How about another regional force, Taiwan? I'm sure that Gorbachev, now in Beijing, and Deng Xiaoping certainly—I think probably they're going to talk about Taiwan, because the Taiwan issue is a major issue, really concerns almost every Chinese leader in Beijing, the future of the unification of China. And the Chinese leaders, during the past several years, have not pressured the United States—they have tried to persuade President Reagan, probably now President Bush, to play some kind of role to persuade Taiwan to have some kind of dialogue with Beijing leaders.

Now, I think maybe some of the speakers here might want to comment on what role the Soviet Union, Mr. Gorbachev, can play in this aspect to build some kind of dialogue between Taiwan and Beijing.

Dr. ZAGORIA. I should think that Mr. Gorbachev is the last guy who wants to get involved in mediating a PRC-Taiwan settlement.

Dr. HARDING. I agree: I don't think Gorbachev can or would want to serve as an intermediary between Taiwan and the mainland. But, I can very well imagine that during his visit to Peking, Gorbachev would indicate to the Chinese that the Soviet Union, even at the height of the Sino-Soviet dispute, kept its copy book clean on the Taiwan issue. This would be part of his effort to get the Chinese to acknowledge some past, present, and future parallels between Chinese and Soviet foreign policies.

In response, the Chinese are going to want to make it very clear what the limits on Soviet and Eastern European economic relations with Taiwan should be. There are some signs that already Hungary has been put under great pressure not to do with Taiwan what it has done with South Korea; to establish some kind of official or quasi-official relationship. Whether the Soviet Union will agree to try to forge a unified Eastern European policy on Taiwan I don't know, but I think that that's one issue that the Chinese may very well raise.

Dr. Ross. On what Harry Harding was saying on Chinese apprehension or Chinese concern over Taiwan and the Soviet Union and Eastern Europe, in discussions with Chinese about the feasibility of a cross-recognition on the Korean peninsula, the Chinese are very apprehensive about this, because it sets a precedent for cross-recognition between Taiwan and the mainland, which gives the Soviets and the East Europeans much greater flexibility on the Taiwan issue than it gives the Chinese.

Dr. HARDT. I would like to add the political conditions the South Koreans have, in dealing with the Soviet Union and Eastern Europe. Their economic conditions, as with most Western countries, are that their investment would have to be commercially

profitable and advantageous, and special conditions are appropriate there. But the South Koreans seem to be less concerned about the arrangements that will influence North Korea, in their discussions with the Soviets, than, for example, the Japanese are concerned about the northern territory.

Soviets also have permitted, or not discouraged, East Europeans—for example, Hungary—in establishing very active relations with the South Koreans, and in fact South Koreans have taken along Hungarians in their negotiations with the Soviets.

And so the question I'm really raising to Dr. Endicott is a question of, in Seoul, what are the conditions, other than commercial conditions, that reflect their views?

Dr. ENDICOTT. I would have to say that their overriding political goal is still to swamp North Korea with endorsements for the ROK from communist countries if at all possible. But they're very much interested in the economic bottom line. I can recall sitting with a president of a Korean conglomerate who said that he could hardly wait to get access to the skilled labor of North Korea because as soon as that would be possible they would have an economic engine that would put all the other countries out of business. So, they're looking at North Korea even for labor.

Dr. GOLDMAN. Okay. I'd like to exercise one of the prerogatives of the chair and direct a question myself toward both Don Zagoria and John Endicott.

Moving the focus back toward Japan a little bit, a Japanese journalist stationed here in Washington with whom I speak from time to time tells me that the folks back home in Tokyo, or at least that small fraction of the folks back home who think about Asian security relations—small fraction—are becoming very concerned about the Sino-Soviet rapprochement because, whereas you folks spoke in a triangular relationship—there's no odd man out, some people in Tokyo fear that Japan could be the odd man out in this rapprochement, and that Japanese security policy, to the extent that there was a real overarching central security policy, was predicated on kind of a fixed Sino-Soviet, if not hostility, at least tension, and that as this moves toward reconciliation some Japanese are feeling a certain emptiness in the pits of their stomachs.

Is this a correct appreciation? Don?

Dr. ZAGORIA. I think it's a correct appreciation of what the Soviets are calculating. I think the Soviets calculate as they're improving relations with the Americans and the Chinese, the Japanese are going to have no alternative but to come on board.

The Japanese that I talked to, on the other hand, are very anxious to point out that Japan is not isolated, that they don't consider Japan isolated at all, that Japan's relations with the Soviet Union are fine. What they are trying to say is that the Soviet Union needs them more than they need the Soviet Union. That is their perception and it happens to be correct, and they're acting on that. And they're in effect saying, we want concessions on the territories or else we're not going to move ahead on economic issues.

And my impression is that's the kind of game that the Japanese foreign ministry is playing. In fact, the foreign minister said, after a recent meeting with Shevardnadze, we are not in a position to separate economics from politics.

So I think the Japanese are playing a very hardball game with the Russians on the islands. And while the Russians think they have the Japanese in the corner for reasons you mentioned, I think the Japanese think that they have the Russians in the corner because of their desperate economic situation and their need for Japanese capital and technology. That's the way I see it.

Dr. ENDICOTT. I would echo that. I think from the conversations that the Japanese are having with the Soviets at international meetings, etc., and from the Soviets that I've dealt with, it is clear that without the full integration of Soviet East Asia into a Pacific Basin economic area, the developmental goals for the Siberian Maritime Provinces will not be met. The country that really can deliver those kinds of things has to be Japan. Japan is not going to be, I think, concerned about that situation at all.

I see Japan as being much more internationalized today than we could ever have hoped for when Nakasone took over. For example, this year we're going to have 10 million Japanese tourists throughout the world. And they're bringing about a new sophistication and awareness of the world that wasn't there before.

Dr. ZAGORIA. Before our rapid tour leaves for lunch, there's one very important region that's not included in the regional perspective or any other place on this agenda, and that is South Asia and India.

I think that we ought to start urging the American government to start thinking a little more about India. The Sino-Soviet detente is bound to have a very important impact on India. When Gorbachev visited there recently, the Indian journalists were constantly pressing him on what the implications of a Sino-Soviet detente for India meant. And Gorbachev did very little to reassure them. When they asked him, will you be on our side if there's another border conflict and so on, he said, well, you'd better have good relations with China.

India and some other Soviet allies in Asia are bound to want to diversify their foreign policy more towards the West. There was that thrust in India even before the Sino-Soviet detente. But I would expect that there's now even a much greater potential there.

That, incidentally, I think should have the same impact on the Vietnamese after the Cambodian conflict is resolved, or if the Cambodian conflict is resolved.

Dr. GOLDMAN. Thank you. Is there remaining such a burning question that it's going to cause someone heartburn during lunch if they don't get to ask it before lunch?

[The workshop participants recessed for lunch.]

PANEL III: THE MILITARY IMPLICATIONS OF SINO-SOVIET RELATIONS

Dr. SUTTER [presiding]. I'm Bob Sutter with the Foreign Affairs and National Defense Division of the Congressional Research Service. The first panel this afternoon will deal with the military dimension of the Sino-Soviet relationship. We'll look at a wide variety of issues associated with the military dimension of the relationship, both the competitive aspects of the relationship and the possible cooperative aspects of the relationship.

To start us off will be Harry Gelman. Harry is a senior staff member of the Political Science Department of The RAND Corporation. Harry has written widely on the Soviet Union and Sino-Soviet relations. He is the author of *The Brezhnev Politburo* and *The Decline of Detente,* and has been following Sino-Soviet relations for many years.

STATEMENT OF HARRY GELMAN, SENIOR STAFF MEMBER, POLITICAL SCIENCE DEPARTMENT, RAND CORPORATION

Dr. GELMAN. Thank you, Bob. To take a look at the attitude of the Soviet military leadership toward what is now going on in Beijing, we must begin with the underlying fact that whatever the General Staff thinks about Sino-Soviet rapprochement, the General Staff's ability to get its views translated into policy is not what it once was. That's the inner reality, the bottom line.

Military influence on the political leadership is still very important, and we have concrete evidence of that in the CIA-DIA (Central Intelligence Agency-Defense Intelligence Agency) report to the Joint Economic Committee (JEC) that just came out. To the end of 1988, military spending was still advancing considerably faster than the Soviet economy.

Having said that, one must recognize that Soviet military influence is now demonstrably weaker than it has been for many years. It is hard to deny there's been a process of erosion in the status of the General Staff. Whatever their attitude toward a defensive posture abroad, they've definitely been on the defensive at home for quite a while now. They are under attack from the Foreign Ministry in particular.

Consequently, while the Soviet military leaders are still one major factor in any decision that effects Soviet strategic interest, they can no longer be confident they're going to determine the outcome of all decisions. That's the way I would sum it up.

And in addition to all that, the Soviet military leaders now must confront certain new political realities specific to the Far East.

First, there's the fact of this Sino-Soviet summit. And there is the additional fact that, in my view, one of the important considerations that has led the Chinese to cross this watershed and agree to the summit— one of the considerations—has been the hope of securing an eventual major reduction in the Soviet military forces that have been deployed against China since 1965.

Now, we've heard a lot from the Chinese in recent years downgrading the importance of those military deployments as an obstacle—the first obstacle—to normalization of Sino-Soviet relations, and professing unconcern about the state of the Soviet military buildup in Asia. But, despite this Chinese pose, I think it's unlikely that the possibility of securing any long-term reversal of this buildup has been regarded as a trivial matter in Beijing.

There are other important factors that have helped move the Chinese toward the summit. We talked about them this morning. But surely one of the most potent has been the effect of Gorbachev's repeated hints that as normalization occurs this total Soviet military posture facing China is going to significantly diminish.

Since 1987 Gorbachev has been furnishing down payments on this tacit promise, first by starting to take his forces out of Mongolia, then by removing the SS–20s from Siberia in accordance with the INF Agreement, and most recently in the announcement of the withdrawal of most of the rest of the divisions in Mongolia. But the Chinese are expecting a lot more. And I think the Soviets know quite well that the scope of the opportunities that they are going to get with China over the next few years will be influenced to some degree by how much they deliver on this tacit promise.

And superimposed on that, of course, Gorbachev has in fact now publicly pledged some unilateral military manpower reductions in Asia.

You remember in his December 1988 speech to the UN, he talked about cutting 500,000 men from the Soviet armed forces, 200,000 of which would come from the forces east of the Urals. But, from the Soviet military leadership's perspective there could be worse to come.

Gorbachev announced these cuts, of course, partially for the political benefits he expected to get in Europe and with the Chinese, but I think the economic factor was an even more important reason. The Soviet economy deteriorated very strikingly last year. I think this fact played a decisive role in pushing the Politburo in this direction.

The economic pressures that are at work on the Soviet elite are not likely to disappear soon; I think they could grow in the next few years. And so the military leadership has reason to fear that if these economic pressures grow, the Politburo may find itself forced to make additional major unilateral cuts, which they don't want to make now, cuts beyond those already announced. And this would necessarily affect Asia also.

Moreover, superimposed on these considerations, you have the fact that the Soviet Union has also promised the world a fundamental reorganization of the Soviet armed forces to give them a less offensive character. And this radical change supposedly is to take place not only in Europe but also in Asia.

Well, what do the Soviet military leaders think about all this? I think there is good reason to suppose that they have grave reservations about the prospect of a major drawdown of forces in Asia, and they're going to try their utmost, so far as they are able—and that, I think, is the big proviso—to shape the cuts that Gorbachev has announced to minimize their effect on the present offensive combat capability of the forces there.

Why? Well, first, and I think so far least important, is the worst-case worries that conservative military leaders are likely to have about the longevity of the present benign Chinese political posture towards the Soviet Union. Over the last quarter century there has been a long-term flow of Soviet manpower and hardware from West to East, which reversed a process of military reduction in the Far East that took place at the end of the Second World War. Even the high command they set up in the Far East a decade ago—the Far East TVD (Theater of Military Operations)—was a resurrection of something they had had earlier and had then disbanded. I think a lot of the military leaders—particularly the two leading ones, Yazov and Molseyev, who came from the Soviet Far East to their

present posts—are going to be very reluctant to make long-term commitments about dismantling this buildup once again until they have a lot more evidence that the problem is not going to arise once more in 10 or 15 years. That's the first military objection to large-scale withdrawals.

I suppose Gorbachev is not going to be terribly impressed by this particular argument. But there are also tactical, concrete objections to a significant weakening of the Far East TVD. First, there's the familiar story of the great length and vulnerability of their lines of supply and reinforcement. We've heard all that before. The second trans-Siberian rail line, the BAM, is still not finished to this day. God knows when it will be, in terms of being able to throughput large forces from West to East.

Then, secondly, there's the fact that the withdrawal of each soldier from the force structure in the East would be likely to have a greater impact on their mobilization problems in any subsequent crisis than the withdrawal of any Soviet soldier from the forces in the West. This is because there's a larger number of low-category divisions in Asia, a lower level of mobilization right now; the average manning level is lower. If they were ever obliged to mobilize to full strength, there would be a relatively greater shortfall to overcome in the Far East than in Europe. The Far East would therefore pose a bigger strain on their ability to mobilize because they would have to bring a large portion of the troops being mobilized from European Russia, because that's where the people are.

In addition, there is the problem created by the distribution of the Soviet strength facing China. Perhaps 40 percent of Soviet forces are concentrated all the way to the East, in the Far East Military District. A key part of that district is a narrow salient sandwiched between Manchuria and the ocean. A large portion of those forces are dual purpose, some of them facing Japan and the United States for purposes which have not much to do directly with Sino-Soviet relations.

Within this salient there is no interior space to which to withdraw these people. You have to take them out if you're going to cut forces forward deployed.

These considerations, as I say, Molseyev and Yazov know full well. In addition, they have all the practical military concerns that center around the problems that China, as a hypothetical opponent, has traditionally posed.

In the case of China, unlike the situation in Europe, the Soviets do not have a manpower advantage; they never will have a manpower advantage. They have an enormous firepower advantage, both nuclear and non-nuclear. Gorbachev has already unilaterally cut down that firepower, at least a little bit, by taking the SS–20s out. But, they still have a lot of other means available to maintain their great firepower advantage.

The issue really is, therefore, how much of this hardware they are going to take out in addition to withdrawing men. I am referring to the modern hardware which they've traditionally relied on to help compensate for the Chinese manpower advantage.

Now it's very striking, of course, that when Gorbachev spoke at the UN last December, although he talked a lot about the kinds of hardware he was going to get rid of in Europe, he said nothing

whatever about military weapons in Asia, nothing at all. He just talked about 200,000 bodies.

And so, a number of questions remain. How will this 200,000 man cut be distributed among the variety of kinds of forces they maintain in Asia? How is it going to be distributed geographically? Is it going to come out of combat forces or labor battalions? Or are these issues going to be left ambiguous? And then, how much hardware is going to come out, and from where?

Now, some Soviet statements have suggested that the silence they've maintained on this issue up to now has been calculated and temporary, that Gorbachev is going to clarify this in the next few days. And I think the Soviets will indeed presently say something which will give us some answers. But I think there is going to be a good deal of Soviet ambiguity even afterward, because such ambiguity is wanted in order to maintain bargaining room, to try to get a quid pro quo.

Ever since Gorbachev spoke at Vladivostok in July 1986, the Soviets have talked about Sino-Soviet balanced mutual reductions. Thus far, the Chinese have never responded.

In December 1988, however, when the Chinese foreign minister went to Moscow to try to start arranging the Sino-Soviet summit, Foreign Minister Shevardnadze began talking about setting up a military diplomatic experts group to find a way to reduce military forces. And he claimed the Chinese had agreed to this.

But when Shevardnadze went to Beijing in February 1989, he made the same statement again—that he had again proposed and the Chinese had just agreed to set up this military diplomatic experts group to discuss mutual force reduction. Apparently the issue was not settled at all in December and needed to be discussed again.

The Chinese, however, when asked about it, are much more reticent, and do not want to commit themselves publicly about this issue at all. I think this reticence is politically motivated. In part, it reflects concern about an adverse American and Japanese reaction to Chinese acknowledgement of Sino-Soviet negotiations of this kind which could have wider implications. I will return to this issue in a minute.

But the PRC also seems reluctant to acknowledge the legitimacy of the Soviet demand for reciprocity, for the symmetry in reductions which Shevardnadze seems to want.

Now Shevardnadze said in a press conference in Beijing in February that as a prerequisite for further large troop reductions, by which he apparently means reductions in addition to the 200,000-man cut already promised, the Chinese are going to have to agree on common principles about reduction of the offensive components in armed forces, including disbandment of units on both sides. The experts group he wants set up is supposed to be charged with looking at this question. In the meantime, Shevardnadze said that because it would probably require a long time to agree on mutual reductions, the two sides should first agree on a system of confidence-building measures, which he also described.

It appears to me from these remarks that the Soviet Union at present is still trying to draw China into detailed and probably rather prolonged bilateral conventional arms reduction talks. As a

result, there seems to be an internal contradiction in the Soviet assertions about a coming of a new defensive configuration of Soviet forces in Asia.

On the one hand Shevardnadze said that you're going to get this defensive configuration of Soviet forces in the Far East as a result of the 200,000 man cut. But he also seemed to be seeking to convey the message, without explicitly saying so, that, no, you're not really going to get such a configuration yet; you're only going to get it when we have something additional happening, namely the subsequent mutual reductions we are seeking. And these offensive capabilities, and particularly the hardware, are not going to go away until we have some reciprocity.

Pravda published Shevardnadze's remarks in Beijing, and it also published a very curious report on his visit which read exactly as if it was designed as a Soviet draft of a joint communique on his visit, which the Chinese have refused to sign. This *Pravda* report talked about what the sides had allegedly agreed upon, but only the Soviets were talking about it.

And one of the things it said was that both sides regard as important a mutual balanced reduction of the armed forces. The Chinese have never, never publicly agreed to mutual balanced reductions.

Now if the Soviet Union—and this, I think, is the point for the United States—if the Soviet Union ever did obtain Chinese consent to such offsetting cuts as a result of talks between military experts, I think the Soviets would anticipate that this could provide them with useful political ammunition in Vienna, in the new European conventional arms talks, where they've been trying to get offsetting cuts in our tactical air capabilities to make up for the asymmetrical reduction in tanks which they are offering.

And similarly, if the Chinese ever agree to Asian CBMs, I think this would facilitate a Soviet attempt to bring political pressure on Japan and the United States to agree to CBMs in naval and air deployments, which has been a big feature of their propaganda in the Far East.

I think therefore that the United States should not underestimate the political consequences of such a Chinese negotiating shift. Consequently, there *is* a danger represented right now in the Sino-Soviet summit. It is *this* danger. There may be others, but this is a concrete possibility.

Finally, Gorbachev also seeks talks between his military experts and those of the Chinese because he's trying to co-opt his own military leaders to his purposes by engaging them in talks with the opponent, just as he has done in his dealings with the West.

Moreover, he hopes that this process is eventually going to produce concessions from the Chinese sufficient to dissolve his own military's objections to the concessions he may eventually want to make to the Chinese.

And, the summit is going to reveal whether the PRC is at last prepared to publicly acknowledge and endorse bilateral talks of military and diplomatic experts, talks which Gorbachev has been seeking as a vehicle for reaching agreement on balanced reduction.

If Beijing does publicly commit itself to such negotiations within the framework that Shevardnadze spelled out, it will have accepted

the principle of mutual balanced reductions for the first time. I think this would be a very important Chinese concession, and I think there is reason to believe that at least some Chinese leaders are reluctant to cross this threshold.

It's true that even if China did take this step, it could take years—and Shevardnadze apparently anticipates it would—to reach agreement on the extent and nature of the Chinese reciprocal concessions that would buy a certain amount of Soviet hardware reduction.

I think, though, the Chinese probably still anticipate that the unilateral reduction which Gorbachev has already promised—the 200,000 man cut—will in any case have to provide some content that's going to have military significance for the Chinese. They have apparently decided for the time being to reserve their position while awaiting Gorbachev's explanation of his intentions. They're also likely to calculate that despite the misgivings of the Soviet military leaders, there are major internal Soviet economic pressures which will sooner or later have an effect. And, there is also Gorbachev's desire to move ahead with the Chinese, which could eventually bring them further unilateral Soviet concessions, even if the Chinese should decide to go on dragging their feet.

THE SOVIET MILITARY LEADERSHIP AND THE GORBACHEV-DENG SUMMIT

(Prepared Paper by Harry Gelman)

On the eve of the Gorbachev-Deng summit, what is likely to be the perspective of the Soviet military leaders on the changing Sino-Soviet relationship? There are a number of reasons to suppose that the assumptions and priorities of the Soviet military leadership, in this as in other matters, may be quite different from those of Gorbachev, and that some internal friction may have developed over the military aspect of Sino-Soviet relations. At the same time, it has now become less likely than ever before that Soviet defense officials can indefinitely obstruct those military concessions Gorbachev may consider it advisable to make to the PRC. This is so for many reasons, some of which have little to do with China.

Shifting Internal Realities

To begin with, there is the underlying fact that whatever the attitude of the Soviet military toward China now may be, the General Staff's ability to get its views translated into policy is not what it once was. Military influence on the Soviet political leadership, while still quite important, is now demonstrably weaker than it has been for many years.

To be sure, one should not exaggerate the extent of the change that has thus far taken place. The continued vigorous growth of the military budget and weapons procurement through 1988 [22] is

[22] A recent CIA-DIA report to the Congressional Joint Economic Committee stated that Soviet military spending increased last year at twice the pace of the economy as a whole (*Los Angeles Times*, April 22, 1989).

sobering evidence that the General Staff's contentions about Soviet military needs have remained a very significant factor in policy decisions. Nevertheless, it is hard to deny that the process of erosion of the status of the military leadership is now underway. Whether or not the Soviet military establishment has really been converted to belief in a defensive posture abroad, it is definitely on the defensive on the home front. The Foreign Ministry over the last year has led the Soviet press in what has become an avalanche of public attacks against the prerogatives and attitudes of the Soviet General Staff. Military prestige has visibly fallen at home, the military leadership has been purged and reshuffled, and the military budget is allegedly to be cut. Moreover, at several turning points in dealings with the West over the last few years, the wishes of important generals have been overridden by the Politburo.[23]

Shifting Far East Realities

In short, the Soviet military bureaucracy, while still a major influence on decisions affecting Soviet strategic interests, no longer can be confident that it will determine the outcome of all such decisions. In addition, the Soviet military leaders must now confront certain new political realities specific to the Far East whose implications will affect the future Soviet force posture toward China.

First, the Gorbachev leadership, in securing a summit meeting with China, has now achieved a geopolitical breakthrough to which Gorbachev obviously and rightly attaches a great deal of value. But one of the important consideration that has led the Chinese to cross this watershed in their relationship with the Soviet Union has been the hope of securing an eventual major reduction in the forces that have been deployed against China since 1965. Despite the many Chinese statements in recent years downgrading the importance of those forces as an "obstacle" to normalization of relations and professing unconcern about the state of the Soviet military buildup in Asia, it is unlikely that the possibility of securing a long-term reversal of this buildup has been regarded as a trivial matter in Beijing. While there have been other important factors that have helped influence the Chinese to whittle away their preconditions for a summit, one of the most potent has surely been the effect of the repeated hints of the Gorbachev regime that the total Soviet military posture confronting China would sooner or later significantly diminish in the wake of normalization.

Since 1987, Gorbachev has been furnishing down payments on this tacit promise, first as he began removing forces from Mongolia, next as he began removing SS-20s from Siberia in accordance with the INF agreement, and most recently as he announced the withdrawal of most of the rest of the divisions in Mongolia. But the Chinese are expecting much more, and the Soviet leaders no doubt realize that their performance in this regard in the next few years will have some bearing on the scope of the opportunities that may open up for Soviet relations with China in the wake of the summit

[23] Examples include the decision to accept intrusive verification of arms control agreements, the decision to accept the inclusion of Soviet SS-20s in Asia in the INF agreement, and most dramatically, the recent decision to withdraw six tank divisions from Eastern Europe and to cut the Soviet armed forces as a whole.

meeting. Thus, the Soviet military leaders know that the Politburo now has enhanced political incentives to reduce the forces confronting the PRC.

Secondly, of course, Gorbachev has now in fact publicly pledged some unilateral military manpower reductions in Asia. In his December 1988 speech to the United Nations, he asserted that the Soviet armed forces would be reduced by 500,000 men over the next two years. Gorbachev subsequently specified that of this number, some 240,000 would be taken from forces now stationed in the "west" (that is, European Russia and Eastern Europe); some 60,000 from those in the "south" (presumably, the Southern Theater of Military Operations, comprising the North Caucasus, Trans-Caucasus and Turkestan Military Districts and Afghanistan); and the remaining 200,000 from those in the "east" (presumably, the Far East Theater of Military Operations, comprising the Far East, Trans-Baykal, Siberian, and Central Asian Military Districts and Mongolia, as well as the Far East Fleet). It is the last segment, of course, that particularly interests the Chinese.

Furthermore, from the Soviet military leadership's perspective, there could be worse to come. Although the decision to announce these cuts in Soviet forces—and to cut the Soviet military budget—was partly influenced by the prospect of the political returns to be obtained from the West and from China, probably a more important reason was the increasingly grave Soviet economic situation. As the Soviet economy deteriorated in 1988, it became increasingly difficult for Politburo recalcitrants to continue to resist taking more serious steps to reduce the military burden. These economic pressures are not likely to disappear soon; on the contrary, they could well grow in the next few years. The Soviet military leadership may therefore have reason to fear that if these economic pressures do grow, the Politburo could eventually see itself forced to make additional major unilateral cuts in the Soviet force posture beyond those already promised. A second round of such sizeable reductions, should it ever materialize, would necessarily affect the forces in Asia as well as those in Europe.

A final general consideration that will directly affect the future Soviet force structure in Asia is the fact that in the wake of the announcement of its forthcoming reductions, the Soviet Union has also promised the world a fundamental reorganization of the Soviet armed forces to give them a less "offensive" character. Although originally announced by Gorbachev in connection with the Soviet forces stationed in Eastern Europe, Soviet comment has since suggested that the alleged structural transformation would be carried out in the armed forces as a whole, including those in the Far East.[24] Most of the details of the prospective change are still highly ambiguous or uncertain, but it has been widely suggested, for example, that one key feature of the change will be a reduction in the relative weight given to tanks in Soviet order of battle, and to this end, possibly a reduction in the number of tank regiments integral to some Soviet divisions. The question therefore arises how

[24] In February 1989, Foreign Minister Shevardnadze said in Beijing that "our formations and units deployed near the Soviet-Chinese border will be re-formed to a defensive structure." (*Pravda*, February 5, 1989)

far any such change (assuming that it occurs) will—or should—be carried out in the Far East, in view of the rather different military problems faced by the Soviet Union in Asia.

The Defense of the Soviet Far East

When the Soviet Defense Council convenes to discuss force deployments in Asia and privately considers all these matters, the Soviet military leaders are unlikely to deny the obvious fact that the relationship with China is now very different from what it was when the Soviet buildup against China began a quarter of a century ago. Defense Minister Yazov is hardly oblivious to the changed atmosphere; on the contrary, in recent years he has been obliged both to acquiesce in some Soviet military measures that have contributed to the calming of the strategic relationship, and also to advertise them publicly. In early 1988, he stated:

> The Soviet Union has not built up its grouping of ground forces in the Far East for several years. Moreover, their numbers along the Soviet-Chinese border have been reduced, and some of our troops have been withdrawn from Mongolia. We are showing restraint also in conducting exercises with troops, and we are not increasing their number and scale.[25]

These statements must naturally be weighed with care. Although the Soviet Union has indeed probably not increased its ground force manpower in East Asia significantly in the last decade, the number of divisions has continued to grow over this period through the gradual activization of new low-strength units.[26] The Soviets also continue, of course, to strive to improve the capabilities of their existing forces in Asia through weapons modernization, and retain a huge edge over China in this regard. Yazov's claims that some of the units in Asia have been pulled back from the Sino-Soviet border cannot be substantiated, and seems unlikely, as yet, to refer to events on a meaningful scale. Some Soviet forces have indeed been withdrawn from Mongolia, and more withdrawals are now about to occur; but Yazov has thus far neglected to say whether these forces would also be withdrawn from Asia, or whether some or all of them would be left in Siberia as part of the total still confronting China. Finally, Yazov's statements claiming a new restraint in Soviet exercises versus China are plausible.[27] In sum, the Soviet military leadership over the last few years has already been compelled to begin adapting its military posture in Asia to the assumption of a reduced Chinese threat, but it has thus far evidently gone only a modest distance along this road.

Yazov is also well aware of all the elements in recent Chinese behavior that the Soviet political elite finds reassuring, and prob-

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[25] *Krasnaya Zvezda*, February 23, 1988.

[26] See the 1980–1989 annual issues of The Military Balance, published by the International Institute of Strategic Studies in London; see also Japan Defense Agency, The Defense of Japan (Tokyo: The Japan Times, 1987), pp. 34–35.

[27] In 1989, several writers reported having been told this by Chinese military authorities. See Condoleezza Rice, "Soviet Policy in Asia," in Dick Clark, ed., *United States-Soviet Relations; Building a Congressional Cadre, Fifth Conference, January 11–16, 1989* (Aspen Institute, Queenstown, MD, 1989), p. 21.

ably agrees to a certain extent. For example, Chinese agreement to resume work on completion of a railroad in Xinjiang to the Soviet border [28] is probably regarded as a positive sign in the Soviet Ministry of Defense that China does not expect hostilities with the USSR for the indefinite future, since the PRC had halted work on this railroad many years ago precisely to reduce China's vulnerability in the event of hostilities.

Nevertheless, there are good reasons to suppose that Soviet military planners have grave reservations about the prospect of a major drawdown of their forces in Asia, and will do their utmost to try to shape the cuts Gorbachev has announced to minimize their effect on the present offensive combat capability of the forces there. What are these concerns about the Far East that are likely to preoccupy the General Staff?

First—but perhaps least impressive to Gorbachev—are the worst-case worries naturally conservative military leaders probably harbor about the longevity of Chinese good behavior. The buildup of forces to protect the relatively empty eastern part of the Soviet Union against a massively populated neighbor was carried out at enormous expense and effort over more than two decades since 1965. The flow of manpower and weapons from west to east that took place in this period was in a sense a reversal of a similar migration of Soviet forces in the opposite direction that had taken place two decades earlier, after the Second World War, when the wartime Far East buildup was dismantled in the belief—as it turned out, the mistaken belief—that it would no longer be needed. (Even the TVD command structure created in the Far East at the end of the 1970s was a new version of an organizational form used for the old buildup thirty-five years earlier.)

Soviet strategic planners are therefore likely to warn against a hasty repetition of the earlier mistake in weakening the Far East force posture. Even if it now appears quite safe to deplete the forces deployed against China, it will be asked, how long will this remain safe? The reservations of Soviet military leaders on this score are likely to be reinforced by the intimations from China that it will continue to lean somewhat more toward the United States than toward the Soviet Union even after the Sino-Soviet summit,[29] and by the continued cooperation between the PRC and America on some matters relevant to Chinese defense capabilities versus the Soviet Union, including but not limited to the supply of military technology such as avionics.

Assuming that Gorbachev tends to discount this argument, the Soviet military leaders can cite more concrete, technical objections to a significant weakening of the Far Eastern TVD.

First, there is the familiar story of the great length and vulnerability of Soviet lines of supply and reinforcement to the Far East. This vulnerability gives a special value, in any crisis, to forces al-

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[28] NCNA, December 28, 1988.

[29] In February 1989, a Hong Kong newspaper quoted "senior diplomatic sources in Beijing" as saying that Chinese authorities, on the eve of President Bush's visit, had leaked assertions to the effect that the Chinese Politburo had decided in December 1988 to keep China's relations with Washington "one step ahead" of its ties with Moscow. (*Hong Kong Standard*, February 22, 1989) The scheduling of a Chinese naval visit to Hawaii to take place only a month before the Sino-Soviet summit was presumably also intended to convey such a message.

ready in the region. It should be noted, in this connection, that the Baykal-Amur Mainline (BAM), the second rail line intended to supplement the work of the Trans-Siberian Railway, is still not completed.

Second, there is the fact that the withdrawal of each soldier from the force structure in the east will probably have a greater impact on Soviet mobilization problems in any subsequent crisis than will the withdrawal of soldiers from the west. This is so for several reasons. The Soviets have activated a considerable number of low-category divisions in Asia during the 1980s, to provide a skeleton for mobilization of a much larger force in time of crisis without committing a commensurate amount of increasingly scarce military manpower to this secondary theater in peacetime. On the whole, although there is evidently plenty of local variation, the average manning level of Soviet units deployed in the east has probably been somewhat lower than the average manning level of forces in the west.[30] Indeed, this has probably always been the case.

Consequently, mobilization of units to full strength under crisis conditions must overcome a relatively greater shortfall in Asia than in Europe. At the same time, it is likely to be difficult to count on filling out Soviet units in Asia by relying upon the manpower resources of thinly populated Siberia. Sizeable manpower reserves from west of the Urals would probably be required to complete mobilization in Asia. As a result, mobilization after large drawdowns from already understrength units in Asia would, in any subsequent crisis place a proportionately heavier burden on Soviet reserves, mobilization machinery, and transportation facilities than mobilization after comparable drawdowns from Europe.

Third, there is the awkward problem created by the distribution of the Soviet military strength confronting China. By far the largest portion of this strength—perhaps forty percent or more—is concentrated in the easternmost part of the region, in the Far East military District, adjoining the Pacific.[31] Therefore, the more deeply that cuts are made in Asia, the more such cuts will necessarily have to affect this particular command. But the concentration of forces here has been done for good reasons. The most important part of this military district is a narrow, isolated salient, sandwiched between Manchuria and the ocean, with no possibility of defense in depth, and therefore heavily dependent upon fortifications and adequate forces in being for protection. (As another consequence, the notion of pulling Soviet forces back locally from the Sino-Soviet border, often implied in the West to be a measure readily available to the Soviets, has little meaning within this vital salient. There is virtually no interior space remote from the border to which to pull them without withdrawing them from the salient.) The large Soviet city and naval base of Vladivostok is particularly vulnerable because it is down at the bottom of this salient, at the very end of the Trans-Siberian lifeline stretching six thousand miles back to Moscow.

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[30] See the statement on Soviet ground force deployments and regional levels of manning (i.e. degrees of readiness) provided in IISS, The Military Balance 1988–1989, p. 39.

[31] Ibid.

Nor is this all. Soviet divisions in this salient are necessarily dual-purpose, facing China on one side and Japan and U.S. forces on the other. The question of reducing forces in this Military District therefore is inevitably affected by Soviet judgments about the military posture required in the Far East vis-a-vis Japan and America as well as vis-a-vis China. In conversations early in 1989 with former Japanese Prime Minister Nakasone, Politburo member Aleksandr Yakovlev intimated that because of Japan's uncooperative policies toward the Soviet Union, the regions of the Soviet Far East closest to Japan might be the least affected by Gorbachev's promised troop cut.[32] However, as already noted, it is precisely these regions that have the heaviest concentration of Soviet forces in Asia.

All these considerations are of course very familiar to the two most important figures in the present Soviet military leadership, Defense Minister Yazov and Chief of the General Staff Molseyev, each of whom came to his present post directly from the job of commander of the Far East Military District.

Finally, there are the Soviet military concerns that center around the distinctive professional problems raised by China as a hypothetical opponent. Unlike the situation in Europe, the Soviet forces in Asia do not have a military manpower advantage over the Chinese forces that face them; on the contrary, they have (and will probably always have) a severe disadvantage. The Soviets have traditionally compensated for this fact partly through greater use of static defenses in the Far East than in Europe, but more importantly through their great advantage in modern military technology and firepower, both conventional and nuclear. Gorbachev's last-minute 1987 decision to sacrifice the SS-20s stationed in Asia (and overwhelmingly targeted against China) in order to obtain an INF agreement in Europe meant a non-negligible subtraction from that offsetting firepower advantage—and consequently may have been the most unpleasant aspect of that agreement from the perspective of many Soviet military officers.

Against this background, therefore, there is now likely to be intense internal controversy in Moscow over the question of how much conventional weaponry—how much of the remaining firepower advantage—the Soviet Union can afford to withdraw unilaterally from the forces facing China as a result of an Asian troop cut. To use a familiar Soviet locution, it is not accident that all the initial Soviet statements about their force reduction plans offered no numerical projection whatever for military hardware reductions in Asia. Only the 200,000-man target for the manpower reduction in Asia was specified prior to Gorbachev's visit to Beijing. The 10,000 tanks, 8,500 pieces of artillery, and 800 military aircraft which he promised in his UN speech to eliminate are all evidently intended to be removed from forces west of the Urals—forces stationed either in Eastern Europe or in the European part of the Soviet Union.[33]

In sum, on the eve of Gorbachev's visit, the following kinds of questions remained to be decided:

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[32] *Tokyo Shimbun*, January 18, 1989.
[33] *Argumenty i Fakty*, No. 6, February 11-17, 1989.

- How will the promised 200,000 man cut be distributed among the variety of forces the Soviets now maintain in Asia? Assuming that some 40,000 will be accounted for by the new reduction of forces in Mongolia, how many of the remaining 160,000 will be furnished from out of the roughly half-million combat soldiers in the Soviet ground combat units now facing China, and how many from the additional half-million or so ground force men in uniform stationed in Asia for various other purposed? How many, for example, will be discharged from the numerous noncombatant construction battalions? And how much will be taken from the Soviet Pacific Fleet, which concerns the Chinese much less than do the ground and air forces?
- How will the cut be distributed geographically? to what extent will it be allowed to affect the Far East Military District?
- And perhaps most important: to what extent will military hardware be affected by these manpower reductions? If it returns units or portions of units from Asia for demobilization, will the Soviet Union also withdraw and destroy fixed quantities of certain categories of their weapons, as it has promised to do in Europe? Or will the weaponry of demobilized or reduced-strength units be left in place, to serve as mobilization bases for future contingencies?

The Soviet Search for a Quid Pro Quo

Some Soviet statements have suggested that the Soviet silence on these matters prior to the Sino-Soviet summit has been calculated and temporary in nature—that Gorbachev has all along intended to reserve details concerning the existing Soviet force structure in the Far East and the projected Soviet reductions there, so that he may announce them with greater political effect during his visit to Beijing.[34] This seems quite likely. It is plausible to suppose, however, that important ambiguities about the unilateral reductions will remain even after he has departed Beijing, if only because the Soviets will wish to preserve a modicum of bargaining room in their ongoing efforts to obtain some military quid pro quo from China.

The Soviets have thus far placed considerable emphasis on attempting to get the Chinese to agree to some reciprocity in conventional reductions, both for military reasons and reasons of face. In his landmark speech in Vladivostok in July 1986, Gorbachev tersely called for negotiations with the PRC on mutual conventional force reductions. The Chinese at the time showed little interest in this suggestion, largely because of the great asymmetries between the forces deployed, and because Beijing—like many in NATO—has long felt that the Soviets have created an inequality of strength on the border which it is fundamentally up to Moscow to remedy.

In December 1988, however, at the conclusion of the visit of Chinese Foreign Minister Qian Qichen to Moscow to discuss the future Sino-Soviet summit, Shevardnadze publicly claimed that the Soviet

[34] In February 1989, General Nikolay Chervov stated in Moscow that at the May summit in Beijing, the Soviet Union would furnish a statement about its military strength in the Far East, and would also specify when and where it would carry out the 200,000-man cut in Asia. (NCNA, February 11, 1989.)

Union and China had agreed to form a "military and diplomatic expert group" to find a way to reduce military forces on the borders between the two countries.[35] The creation of such a body was then widely treated in the West as a fact. But although one brief NCNA report picked up this TASS dispatch, no original Chinese statement ever confirmed Chinese agreement to form such a group.

That this Chinese silence was significant was tacitly confirmed by Shevardnadze himself at the conclusion of his February 1989 visit to China, when he told a press conference that he had again proposed, in addition to other things, that "a group of diplomatic and military experts" be set up for this purpose.[36] He thus implied that the agreement to take this step which he had unilaterally announced in December had not only not been implemented, but somehow was in need of reaffirmation. He now added that "we adopted decisions of principle on the expediency of setting up a group of experts. The group will be established and will, perhaps, have time to do some work before the summit." [37] When asked about this at his own press conference, however, Deputy Foreign Minister Tian Zengpei would say only that the two sides had agreed "in principle" that military confrontation on the Sino-Soviet border should be reduced, and that "as for the specific measures, these will have to be considered by the departments concerned at the appropriate time." [38]

This Chinese reticence is no doubt in part political, reflecting concern over the American and Japanese reaction to negotiations of this kind which could have wider implications. But the PRC also seems reluctant to acknowledge the legitimacy of the demand for reciprocity, for symmetry in reductions, that is imbedded in Shevardnadze's proposals. In his Beijing press conference, the Soviet Foreign Minister had said that as a prerequisite for "further large troop reductions"—apparently meaning reduction in addition to the promised 200,000-man cut—the Chinese should come to agreement on some "common principles," including:

> agreement on top-priority reduction in the offensive components of armed forces; disbandment of the reduced units; limitation of the scale and number of military exercises; and establishment of mutual verification of reductions and the operations of remaining units and formations.[39]

The experts group which Shevardnadze sought was to be charged with examining these issues. "At the first stage," he said, "they could get down to preparing a draft agreement on principles of cutting military groups of the sides in border areas." This work, he added, "Will require time, naturally." (Emphasis added) In the meantime, he explained, "even now" the two sides could introduce a system of confidence-building measures constraining exercises, troop movements, and troop concentrations.

It would appear from these remarks that the Soviet Union at present still seeks to draw China into detailed and probably rather

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[35] *TASS*, December 4, 1988.
[36] *Pravda*, February 5, 1989.
[37] Ibid.
[38] *Wen Wei Po*, Hong Kong, February 5, 1989.
[39] *Pravda*, February 5, 1989.

prolonged bilateral conventional arms reduction talks. As a result, there is an apparent contradiction in the Soviet assertions about the coming of a new "defensive" configuration of Soviet forces in Asia. Despite Shevardnadze's statement in Beijing that such a new configuration would result from the 200,000-man unilateral cut in Soviet forces in Asia promised by Gorbachev, the Foreign Minister also seemed to be seeking to convey the message, without explicitly saying so, that this cut cannot itself be expected to provide a really significant reduction in the Soviet offensive capabilities on the Chinese frontier—that is, in the combat units and especially in their hardware. His tacit message was that these capabilities will not truly disappear unless the Chinese agree in negotiations to reciprocal military concessions that would justify further Soviet cuts.

On the same day that *Pravda* published Shevardnadze's remarks in Beijing, it also published a curious report on his visit, worded very much as if it were the text of a Soviet draft of a joint official communique on the visit which China had refused to sign. (There was, in fact, no such joint communique issued on the February visit as a whole, although a joint statement was published on Cambodia.) The abortive Soviet draft at one point asserted that "the sides regard as important a mutual balanced reduction of the armed forces and armaments in the regions adjacent to the Soviet-Chinese border to a minimal level." [40] (Emphasis added.) Thus far, the Chinese have never publicly agreed to "mutual balanced reductions."

If the Soviet Union eventually did obtain Chinese consent to such offsetting cuts as the result of talks between military experts, the USSR would probably anticipate that this event would provide useful political ammunition to the Soviet Union in the new European conventional arms talks that have now begun in Vienna. Similarly, Chinese agreement to Asian confidence building measures would facilitate the Soviet campaign urging Japan and the United States to agree to CBMs in naval and air deployments and maneuvers. The United States should not underestimate the political consequences of such a Chinese shift.

Finally, Gorbachev also seeks talks between military experts because, as in his negotiations with the West, he seeks to co-opt his own military leaders to his purposes by engaging them in dealings with the opponent, and he hopes that such a process will eventually produce concessions from the Chinese sufficient to dissolve military objections to the concessions he ultimately may wish to make.

The summit will now reveal whether the PRC is at last prepared to publicly acknowledge and endorse the bilateral talks of military and diplomatic experts which Gorbachev has sought as a vehicle for reaching agreement on "balanced" reductions. If Beijing does publicly commit itself to such negotiations within the framework sketched by Shevardnadze, it will have accepted the principle of "mutual balanced reductions" for the first time. This itself would be a very important Chinese concession, and some Chinese leaders may well be reluctant to cross this threshold. It is true, of course, that even if China does take this step, it could well take years (as Shevardnadze evidently anticipates) to reach agreement on the

[40] *Pravda*, February 5, 1989.

extent and nature of the Chinese reciprocal military concessions required to buy significant reductions in the existing Soviet "offensive" capabilities against China.

The Chinese, however, probably still anticipate that the unilateral reduction which Gorbachev has already promised will in any case have to provide some content that will have military significance for the PRC. They have apparently decided, for the time being, to reserve their position while awaiting Gorbachev's explanation of his intentions. They are also likely to calculate that despite the misgivings of Soviet military leaders, Soviet internal economic pressures—and Gorbachev's desire to move ahead in relations with China—could eventually bring further unilateral Soviet concessions of this kind, even if the PRC should elect to continue to drag its feet. [end of prepared paper]

Dr. SUTTER. Thank you very much, Harry.

Our next paper giver is Dr. June Dreyer. Dr. Dreyer has been the director of East Asian Programs and Professor in the Department of Politics and Public Affairs at the University of Miami since 1979. She has written widely on Chinese affairs, particularly on issues regarding Chinese nationalities and especially regarding Chinese military affairs. She is preparing *The Party and the Gun: Civil Military Relations in the People's Republic of China,* under a grant from the Hoover Institution.

Dr. Dreyer, please.

STATEMENT OF JUNE DREYER, DIRECTOR OF EAST ASIAN PROGRAMS, PROFESSOR FOR POLITICS AND PUBLIC AFFAIRS, UNIVERSITY OF MIAMI

Dr. DREYER. Thank you very much. Let me start by saying that Sino-Soviet military relations are nonexistent, at least as far as publicly known at this point, and that this has been so since 1960 after a period in which they were in fact reasonably close, to the extent that the Chinese military adopted a Soviet style rank system, wore Soviet style uniforms, received instruction from Soviet advisors and used Soviet weapons. And in fact a number of presently serving PLA—People's Liberation Army—officers were trained in the Soviet Union. And I think it's reasonable to suppose that there are individuals and perhaps even groups within the Chinese military today who would favor a revival of some level of Sino-Soviet military relations. There is certainly some reciprocity on this from the Soviet side. There have been a number of instances in the Soviet press approximately since 1982 in which—there's a Soviet radio broadcast directed in Mandarin at Chinese army men and it hints occasionally that the collective defense of socialism would be a good idea, and once or twice they even suggested joint troop maneuvers. To my knowledge there has been no Chinese response to this.

Since then and recently there have been a few more hints in this direction. I know from reading Richard Wich's book on Sino-Soviet crisis politics that this is called semeiotics, the science of signaling, at least this is what I read into it.

And so a couple of these have included an obituary for a Chinese general recently deceased in which the obituary took the very odd step of mentioning that in the audience were some of his classmates from the Soviet military academy where he had studied. And a couple of days later Yang Shangkun, the president of China who is *de facto* the person who really runs the military in China because Deng doesn't have time for it, did write a very large obituary in *Renmin Ribao* and he said that this deceased general had acquired a high military theoretical understanding as a result of his two trips to the Soviet Union to study military science.

There have in fact been rumors over the past couple of years that the two sides are carrying out talks on the military. These have been strenuously denied by the Chinese side.

However, when you think about it, considering that the Soviet Union has really gone a long way toward removing the "three obstacles" that the Chinese have suggested need to be resolved before normalization can take place, the continued absence of any military relationship between the two countries seems increasingly artificial.

And assuming that there are individuals on each side, as I think we can see evidence of here, in favor of this, the next questions become, first of all, how numerous are these individuals, and second, what forms might the relationship take?

How numerous is very difficult to quantify. I think you can see, however, that there are enough of them to start pushing this process forward. The PRC has in the last couple of years picked up low level military exchanges with various Eastern European countries. It is possible to imagine that they are working their way up to a more steady relationship with the Soviet Union.

As to what form these ties might assume, my answer is that they would almost certainly be quite modest, at least at first.

There is already cooperation between the border guards of both sides because they have common responsibilities to assume.

I think the next logical step would probably be educational exchanges, delegations who are presumably not going to be composed of the highest ranking military figures, at least not at first, going back and forth and touring each others' military facilities. Later, lower level officers might be sent to each others' military academies for at least part of their training. And there should be exchanges of military attaches; passing exercises between the two countries' navies; perhaps port calls by Chinese ships to Vladivostok or Soviet vessels to Qingdao or Shanghai. This could be fairly easily arranged, I think.

A couple of months ago the Far Eastern Economic Review's correspondent predicted that there would be defense minister-level visits exchanged within a year or so.

Now, from there I suppose the next question is what might be discussed by these defense ministers during their visits? Most Chinese weapons are either copies of or derivations from Soviet originals dating from the period when there was fairly close military cooperation between the two countries.

China has had a military modernization program for 10 years now, but its equipment is still badly out of date. Certainly the

Soviet Union could be of some help in modernizing basically Soviet derived weapons.

As far as I know, at least, the Chinese have not approached the Soviets in this endeavor; they have, in fact, approached the Israelis who have plenty of experience in updating and improving Soviet equipment which they have captured in various wars in the Middle East.

Certainly, continuing to deal with the Israelis has a number of advantages for the Chinese. Israeli technology is arguably better than Soviet technology. It is very difficult to imagine a scenario in which Israel could present the Chinese with a genuine threat, as opposed to the Soviet Union which could. But on the other hand, continued use of Israeli help isn't going to necessarily be ruled out if the Chinese approach the Soviet Union for help. And, in addition, the Chinese have had problems before. They have occasionally had a bad experience in their arms sales program trying to sell to the Middle East equipment made with Israeli help and various Middle Eastern states have raised various objections about that.

So I think that it certainly is not impossible that they would try to approach the Soviet Union on this.

What about nuclear cooperation? The Soviet Union has already agreed to sell two nuclear power plants to Liaoning Province in China, and it is assumed that the Soviet Union is going to be involved in the second stage of the Daya Bay project near Hong Kong. I can certainly imagine that less than peaceful uses of nuclear technology might be talked about by the defense ministers. Of course, to talk about these matters will not necessarily result in consummating an agreement.

If this is what the defense ministers are going to talk about, then what are the prospects?

Of course, you have to watch how close a relationship is developing. I think, however, that there are real constraints on a close military relationship between the Soviet Union and China. One of them is China's desire for American technology. The Chinese have repeatedly told us how annoyed they are by how slow we have been in transferring technology to them. I think they are aware that if they appear to be drawing close to the Soviet Union in terms of transfer of military technology, that it is going to be all the harder to get technology out of the United States.

There's also a question of budget constraints in both China and the Soviet Union. China has very little money to invest in weapon systems and the Soviet Union certainly cannot afford to give away very much military equipment.

Both countries, as was earlier discussed by my colleagues here, are preoccupied with pressing domestic concerns. China has a real problem with declining grain production, its family planning program, ecological problems and many other matters. The Soviet Union has similar problems as well.

I think there's also going to be at a very personal level a lot of wariness on the part of Chinese officials who are charged with responsibility in this modest military relationship I see emerging to be very, very careful as to how far they go. There have been a number of instances—I go into them in the paper a bit—of Chinese officials who did appear to get fairly close to the Soviet Union and

probably thought better of it later on. I think the example of Marshal Peng Dehuai is the most famous.

So I think for the sake of their own personal survival, Chinese officials involved in these military exchanges are going to move very cautiously. They will take care to justify every decision in terms of China's national security needs, and they will scrupulously avoid any appearance of emotional attachment to the Soviet Union.

There is also a question of Soviet uncertainty about Chinese motivations. The Chinese have steadfastly proclaimed over the last decade that what they want is an independent foreign policy, and this means that they will not necessarily act with the Soviet Union on defense matters. There are several countries with which they have differences in points of view from those of the Soviet Union.

Again I go back to history for an example here. That is when Borodin was sent to China to help foment revolution and was very badly disappointed by what happened. He is quoted as having remarked, "When the next Chinese general comes to Moscow and shouts 'Hail to the world revolution,' you had better send at once for the GPU, because all they really want is rifles."

Another constraining factor is China's resentment at having to play the junior role to the Soviet big brother, and I think this is likely to resurface because in fact in any military relationship between the two countries it's going to be very hard to maintain the facade that the two are cooperating as equals because in fact the Soviet Union is the big brother in terms of technological progress and strength. And this will certainly affect military exchanges. It will probably be a great feather in the cap of a Chinese officer sent to the Frunze Military Academy. It will not be so for the Soviet officer sent to China.

Basically neither China nor the Soviet Union has as much to gain from a close military alliance with each other as it stands to lose from the effects of such an alliance on its relationship with other countries.

In conclusion, I think there is no reason to disbelieve the Chinese leadership when it says that it wants to pursue a policy of international independence. I think it's perfectly reasonable that this should include a military relationship with the Soviet Union as well as the military relationship it already has with the United States.

Now, I realize here that we're playing a bit with words; a Sino-Soviet military *relationship* is very different from a Sino-Soviet military *alliance*. I think a relationship need not be of concern to the United States; an alliance certainly would be.

One has to keep reminding oneself that the Chinese leadership ought to be expected to act in accordance with what it thinks is China's best interests, and in fact in the past decade it has shown itself quite astute at assessing what these are.

There is very little that a military alliance with the Soviet Union could do to help China at present and there are many risks for the Chinese connected with it.

So I think there are going to be some *aspects* of a renewal of Sino-Soviet military relations that may trouble U.S. analysts, but in general the ties themselves are not inherently threatening.

I would, as always, caution that eternal vigilance is the best policy, but I think at the moment there is no reason to doubt the Chinese sincerity at ruling out a Sino-Soviet military alliance.

SINO-SOVIET MILITARY RELATIONS

(Prepared Paper by June Dreyer)

Current Status

Sino-Soviet military relations are non-existent, at least insofar as is publicly known. This has been the case since 1960, when the simmering Sino-Soviet dispute reached a marked boiling point. The break came after a decade of very close military relations, during which time the Chinese military adopted a Soviet-style rank system, wore Soviet-style uniforms, received instructions from Soviet advisers, and used Soviet weapons. A number of the officers of the Chinese People's Liberation Army (PLA; the term includes navy, air force, and marines) were trained in Soviet military academies.

It is reasonable to suppose that there are individuals, and perhaps even groups of persons, on both sides of the Sino-Soviet border who desire a revival of military relations between the two countries. There have been small clues to corroborate this supposition. One theme of Soviet Mandarin-language broadcasts beamed to China in the 1980s has been the desirability of "collectively safeguarding socialism." In a 1982 Program for Chinese Armymen, a Soviet military historian advocated joint military exercises as a way to support this aim:

> Efforts to improve coordination among allied nations are of primary importance. First of all, this coordination involves the building of all friendly armies and the joint measures taken to further improve preparedness against war and the mobility of the army, air force, and navy. The tremendous potential of the joint military operations among socialist nations has become a huge stumbling block on the imperialists' road of military adventurism.[41]

In September 1988, a group of Soviet pilots conducted a series of demonstration flights of the Yak-42 aircraft in Beijing, Urumqi, Xian, Chengdu, Wuhan, and Dalian.[42] And in April 1989, the Chinese official press agency *Xinhua's* obituary for an elderly general contained the unusual notice that among the mourners "were some of Xiao [Jingguang]'s schoolmates from the time he studied in the Soviet Union." [43] A few days later, an elegy for Xiao was prominently displayed in the Chinese Communist Party's official newspaper *Renmin Ribao.* Written by PRC President Yang Shangkun, an old soldier who simultaneously runs the day-to-day affairs of the Party's Central Military Commission, the elegy notes that, as a

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[41] Moscow Radio, in Mandarin to China, 4 October 1982, in United States Department of Commerce, *Foreign Broadcast Information Service,* Soviet Union (FBIS-SOV), 5 October 1982, pp. B/4-5.

[42] Beijing Radio, in Russian to the USSR, 26 September 1988, in FBIS China (FBIS-CHI), 27 September 1988, p. 12.

[43] *Xinhua* (XH), 8 April 1989, in FBIS-CHI, 12 April 1989, p. 12.

result of his two study tours in the USSR, Xiao "acquired a high military theoretical understanding." [44]

There have been rumors that the two sides have in fact held talks on normalization of military relations. As recently as May 1988, these were denied by a spokesperson for the Chinese Foreign Ministry:

> I have never heard about any talks or contacts between China and the Soviet Union to discuss the military situation. This is absolutely not true. The only talks currently going on between China and the Soviet Union are about the normalization of relations and the border issue.[45]

Given the increasing in trade between China and the Soviet Union, the progress made in resolving various border issues between the two sides, and the fact that the USSR has made significant efforts to solve China's "three major obstacles" to normalization of relations, the continued absence of any military relationship would seem artificial. Assuming that there are individuals on each side in favor of renewing this relationship, the important questions become:

- how numerous are these individuals, and
- what forms might the relationship take?

The first question is basically unanswerable, although it is likely that there are enough such individuals to push the process of military normalization through. Beijing has already re-established low-level military links with several Eastern European states, and would seem to be gradually working toward doing the same with the Soviet Union.

As to the second question, what forms military ties might assume, the answer is almost certainly that they would be quite modest, at least at first. There is already cooperation between border guards and customs officials of both sides, in the discharge of their common responsibilities. Educational exchanges would be a logical next step, with delegations—presumably not composed of top-ranking individuals—touring each other's military facilities. Lower-level officers might be sent to each other's military academies for part of their training. An exchange of military attaches would be a likely next step, as would be passing exercises between the two countries' navies. Port calls by the ships of the PLA Navy to Vladivostok, and by Soviet naval vessels to Qingdao or Shanghai, could be fairly easily arranged. A respected Hong Kong news magazine has predicted that there will be defense-minister level visits within a year.[46]

What might be discussed by the defense ministers is again speculative. Most Chinese weapons are either copies of, or derivations from, Soviet originals, dating from the period of close military ties between the two countries. While the PRC's military modernization program has had some successes in technological upgrading since it was begun in 1978, particularly in missile production, the majority

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[44] *Renmin Ribao*, 11 April 1989, p. 2.
[45] *Zhongguo Xinwen She* (Beijing), 11 May 1988, in FBIS-CHI, 11 May 1988, p. 1.
[46] *Far Eastern Economic Review* (Hong Kong), 1 December 1988, p. 9.

of PLA equipment is badly out of date. The USSR could certainly be of help in this modernization. As far as is publicly known, the Chinese have not approached the Soviets for help in updating, but have instead sought and received aid from the Israelis in this endeavor. The latter have had extensive experience with upgrading Soviet equipment, having captured substantial amounts of it in the course of several wars with Soviet client states in the Middle East. Continuing to deal with the Israelis has certain advantages for China. The Israeli technological establishment is arguably better than its Soviet counterpart. And, in sharp contrast to the Soviet Union, Israel can under no conceivable circumstances be considered a threat to China. On the other hand, continued use of Israeli help would not be ruled out by establishing a relationship with the USSR that involved weapons production. And, because of its desire to maintain good relations with the Muslim states of the Middle East, the PRC has experienced some discomfort in dealing with Israel. China and Israel do not have diplomatic relations, and both sides have adamantly denied the existence of a military relationship, despite mounting evidence to the contrary. In one of the more bizarre recent examples of this, Hong Kong authorities apprehended a team of Israeli military experts attempting to enter the PRC with forged Philippine passports.[47]

High-level talks between Chinese and Soviet leaders might also touch on nuclear cooperation. The USSR has already agreed to sell two nuclear power plants to China's Liaoning province, in the country's northeast,[48] and is likely to be involved in construction of the second Daya Bay reactor, near Hong Kong.[49] It is not inconceivable that these talks may include the military ramifications of nuclear energy as well.

Implications

What ramifications this military relationship will have for international relations depends, of course, on how close a relationship develops. The Sino-Soviet split had major repercussions for the Asian regional and global balances of power; a Sino-Soviet military alliance would as well. It is this author's contention that the military relationship that develops between the two will not be so close as to cause a major realignment of military relationships, either globally or regionally. Factors constraining a close military relationship include:

- China's desire for American technology. The PRC has been irked by the slow pace of technology transfer from the United States thus far, and is surely aware that such American misgivings as already exist would be greatly magnified should China establish close military ties with the USSR. Generally speaking, Chinese leaders have greater esteem for American technology than for that of the Soviet Union.

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[47] *South China Morning Post*, 10 April 1988, p. 1, in FBIS-CHI, 12 April 1988, p. 83; Emily Lau, "Who Blew the Gaff," *Far Eastern Economic Review*, 8 September 1988, p. 23.

[48] *Hong Kong Standard* (Hong Kong), 8 March 1989, p. 2, in FBIS-CHI, 8 March 1989, p. 2.

[49] *South China Morning Post* (Hong Kong), 3 April 1989, pp. 1;6, in FBIS-CHI, 5 April 1989, pp. 39–40.

- Budget constraints in both China and the Soviet Union. The PRC has little money to invest in weapons systems, and the Soviet Union, has neither the money nor the incentive to supply the PRC with the aid which would be needed to effect a significant upgrade of the Chinese military establishment.
- Preoccupation of both the PRC and the USSR with pressing domestic concerns. China's leaders are trying to cope with declining grain production, a less-than-successful family planning program, mounting ecological problems, unusually high inflation rates, power shortages, rising social discontent, and the need to find an acceptable successor to the aged Deng Xiaoping. Since there is no significant external threat to the PRC, the leadership is apt to assign a very low priority to military alliances of any sort.
- Wariness by Chinese officials who are given responsibility for the Sino-Soviet military relationship, based on past experiences. In one celebrated example, Chinese Marshal Peng Dehuai appealed for Soviet help prior to making his attack on Maoist extremist policies at Lushan in 1959. The analysis of this incident which is thusfar regarded as definitive judges that "Khrushchev's refusal to apologize for his intervention in Chinese domestic affairs perhaps precipitated the acute phase of the Sino-Soviet dispute." [50] Suspicions have abounded even where there is no hard evidence to back them up. Another Chinese Marshal, Mao's heir-apparent Lin Biao, was accused of pro-Soviet sentiments, and is alleged to have been fleeing there at the time of his death. And General Wang Enmao purportedly threatened to surrender the PRC's nuclear testing facilities in Xinjiang to the Soviet Union unless Beijing called off Red Guard attacks against him. The net result is that, for the sake of their personal survival, Chinese officials will probably move cautiously, taking care to justify every decision in terms of their country's national security needs and avoiding any appearance of emotional attachment to the Soviet Union.
- Soviet uncertainty about Chinese motivations. During the past decade, the PRC has steadfastly proclaimed that it will adhere to an independent foreign policy, implying that it will not necessarily act in concert with the Soviet Union on defense matters. There are a number of areas in which the two countries have different views, of which one of the most prominent is Vietnam. The need to defend what the PRC considers its territories in the Spratly Islands may pit the Chinese navy against Soviet vessels stationed at Cam Ranh Bay. Other areas of disagreement exist; their cumulative effect will be to temper Soviet enthusiasm for a close Sino-Soviet military relationship. And, if China has been disappointed by its past experiences with military cooperation with the Soviet Union, the Soviet Union has been disappointed with China as well. The Comintern agent Borodin, sent to China to help foment revolution, is said to have remarked, "When the next Chinese general comes to Moscow and shouts 'Hail to the World Revolution!' better

[50] David A. Charles, "The Dismissal of Marshal Peng Te-huai," *China Quarterly*, October-December 1961, pp. 63-76.

send at once for the GPU . . . all that any of them wants is rifles." [51]

- China's resentment at having to play the junior role to the USSR "big brother" in the past Sino-Soviet relationship is likely to resurface. In fact, given the enormous disparity between Soviet and Chinese military power, it will be difficult to package the relationship as one between equals. PLA officers studying at Soviet military academies are apt to learn more than Soviet officers assigned to PLA academies, with concomitant effects on officers' perceptions of the desirability of seeking out such assignments, and on the attitudes of those who accept them.
- Desire on the part of both the PRC and the USSR to avoid alarming not only the United States, but most of the rest of the world as well, by appearing to form a threatening relationship which would call into doubt the sincerity of, and the positive results already achieved from, Soviet *glasnost* and the PRC's "open door." Neither country has as much to gain from a military alliance with each other as it stands to lose from the effects of such an alliance on its relationships with other countries.

Conclusions

There is no reason to disbelieve the Chinese leadership when it says that the PRC wishes to pursue a policy of international independence. It is logical that this should include a military relationship with the Soviet Union as well as with the United States. It must not be forgotten that in recent years the Chinese have purchased military equipment, including advanced avionics and ship engines, from the United States, and that there are now exchanges of officers between the respective, and identically-named, National Defense Universities of the two countries. In February 1989, senior Chinese naval officials visited a U.S. aircraft carrier, the *Nimitz,* for the first time,[52] and in June the Chinese navy will pay its first port visit to the United States since 1949.[53] The United States should not be alarmed should the Chinese decide on some similar gesture toward the Soviet Union, in order to symbolize its independence of both the superpowers.

A Sino-Soviet military *relationship* is, of course, far different from a Sino-Soviet military *alliance.* The first need not be of concern to the United States; the second assuredly would be. China's leadership can be expected to act according to its perceptions of what is in the PRC's best interests, and has in the present decade shown itself to be quite astute in assessing these interests. There is little that a military alliance with the Soviet Union could do to help China at present, and many risks attendant on it. Although there may be some aspects of a renewal in Sino-Soviet defense ties that may trouble US analysts, the ties themselves are not inherently threatening. Though continuous vigilance is, as always, advisa-

[51] Quoted in Harold R. Isaacs, *The Tragedy of the Chinese Revolution* (2nd revised edition). New York, 1968, Atheneum, p. 275.
[52] *Far Eastern Economic Review,* 23 March 1989, p. 9.
[53] *Ibid.* 6 April 1989, p. 6.

ble, there is no reason to doubt the sincerity of the Chinese leadership's statements ruling out a Sino-Soviet alliance.[54] [end of prepared paper]

Dr. SUTTER. Thanks very much, June. We have two perspectives on what has been over the years a very sensitive aspect of the Sino-Soviet relationship, the military aspect of the relationship. We obviously see that the military aspect of the relationship is changing in important ways.

So the floor is now open for discussion, and I would also add that we are free now as well to discuss other aspects that we have talked about earlier today in the discussion period. But I'd like to first focus on the military aspect of the relationship and questions in that regard.

Dr. HARDING. Thank you. A comment on Harry Gelman's very fine paper, and then some questions for June Dreyer.

I would certainly agree, based on my discussions with Chinese military attaches in Washington, that the Chinese are not at all eager to engage in discussions of reciprocal troop cuts with the Soviet Union, at least at this point. Moreover, they have also identified some other dimensions that they will use to evaluate whatever arms control proposals Mr. Gorbachev may present to them in Beijing.

First, they have said that Soviet troop strength should be reduced to the mid-1960s level on a unilateral and non-reciprocal basis. Second, they have said that there should be a complete Soviet withdrawal from Mongolia, not just a partial one. Thirdly, they have indicated, as Harry's paper suggests, that they will be looking very carefully at the composition of the cuts, to see whether or not they will involve air and naval forces as well as ground forces. And finally, and I think most important from the Western point of view, the Chinese are insisting—and they've said this publicly—that the Soviet forces that are withdrawn from the Sino-Soviet border be demobilized and not simply transferred somewhere else. They say this not only, I think, because of the realization that troops transferred a short distance from the border could still be a threat to China, but also because they are aware of the fact that troops transferred a longer distance—say to the western part of the Soviet Union—could be a threat to the United States and European interests. These are the criteria that the Chinese seem to be bringing to discussions of Soviet troop withdrawals.

I have three questions for June, and I'd be very interested in hearing her answers to them.

First of all, I was impressed by the list of limiting factors, or constraints, that she says will restrict a Sino-Soviet military relationship. Yet it struck me that many of them also restrict a Sino-American military relationship; budget constraints in China, preoccupation with domestic concerns, wariness about being tagged as pro-American, American uncertainty about Chinese motivations, and the inevitability that a Sino-American relationship would be un-

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[54] See, for example, Premier Li Peng's comments in *Kyodo* (Tokyo), 13 April 1989, in FBIS-CHI, 13 April 1989, p. 2.

equal. If these are binding constraints on Sino-Soviet military ties, how come they don't restrict Sino-American military relations?

The second question is, I suppose, the obvious one in looking at a paper that deals first with the stimuli and then with the constraints on a military relationship. What is the bottom line? How do you see the stimuli and the constraints balancing out? If you had to project 10 years forward, how many of the possible steps toward a Sino-Soviet military relationship that you lay out in your paper do you think the two countries will actually have taken?

And then thirdly, at the end of the paper you say that while a Sino-Soviet military alliance assuredly would be of concern to the United States, a military relationship need not be. You also say that although some aspects of a renewal of military ties may trouble us, the ties are not themselves inherently threatening. The implication is some ties are worrisome and some ties aren't, or beyond a certain point they may be. Let me ask you to be a little more specific; What kinds of military ties or what level of military relationship between China and the Soviet Union should the United States be concerned about? And then, linking that to my second question, how likely is that level to be reached?

Dr. DREYER. I think, Harry, you're absolutely right. These same constraints will impinge on a Sino-American military relationship, but the reason that's not mentioned is because I was asked to write on a Sino-Soviet military relationship.

I think that in terms of comparative technology the Chinese—at least the ones I have talked to—seem to respect American technology more than Soviet technology. And also, of course, the United States is not really regarded as a genuine geopolitical threat to China in the same way that the Soviet Union is.

So those are perhaps two factors which make the Chinese less concerned—or somewhat less concerned—about a Sino-American military relationship; but the other factors certainly would be constraints on a Sino-American relationship. The Chinese don't want to look too emotionally involved with the United States and they don't have money to spend on American weapons just as they don't on Soviet weapons.

Your second question, what is the bottom line? How many steps down the road of a Sino-Soviet military relationship do I expect? I think what I expect is a more militarily correct relationship. And, since there is none now, I would expect an exchange of attaches. I would expect an exchange of officers. I would expect delegations going back and forth. I would certainly not rule out the transfer of some technology.

The third question asks, "Where could this get to be a danger?" A few years ago, the U.S. was extremely concerned that if we shared nuclear technology with the Chinese that nuclear technology would end up in Pakistan and help the Pakistan nuclear bomb program, which would upset the regional balance on the subcontinent. I can imagine our getting very, very upset at the thought of a specific technology being transferred from the Soviet Union to the Chinese which might upset a specific regional balance. It's very hard to predict what the regional concerns are going to be 10 years from now.

Dr. GELMAN. I think it would be useful to try to distinguish between types of contacts and type of relationships. Some contacts take place between countries that still regard themselves primarily as competitors and potential adversaries and some contacts take place between people who are conducting what you might call liaison, cooperation, in other words, between friends. We have military contacts with the British and we have military contacts with the Soviets. We have defense ministers exchanging visits, chiefs of staffs exchanging visits; these are contacts. We indeed have a military relationship with the Soviet Union. But it's not the kind that June was asked to write the paper on. That's the point. That kind of contact is not likely to discourage people in the Pentagon very much.

When you get to contacts which discuss things that could have unpleasant consequences for other people, you're entering a different realm.

The Chinese, up to now, at least, have gone to a great deal of trouble to try to imply, without saying so explicitly, that they are still going to lean to one side toward the United States. The recent Chinese naval visit to Hawaii, and the new American visit to China scheduled to take place immediately after the Gorbachev visit were intended to convey that message.

And the Chinese have been doing this for a reason. They value the military technology and the economic technology and the whole relationship they have with the United States. They do not want to disturb it. They do not want to alarm those people who they know—despite our hypocritical disavowals—would be disturbed, particularly in the Pentagon.

On the other hand, when you start talking about Sino-Soviet transfers of military weaponry or ammunition or technology, you're entering a realm in which the Chinese would have to reckon on these grave political consequences on the American side. And they should expect such consequences. I think even transfer of Soviet rifles or revolvers would be likely to have this effect.

It's a question of your estimate of whether the Chinese are willing to take this kind of risk. They could miscalculate. I think it's useful to the American interest to invite them to put the threshold rather low rather than high.

Dr. DREYER. I think what you've really got here is a semi-seamless kind of thing, because casual contacts don't always stop at casual contacts. And so you can't really say that you can distinguish very clearly between a contact that will stay innocuous and one that may become dangerous.

Dr. GELMAN. Well, we're not about to sell the Soviet Union any kind of weapons. There is a limit there. And is the relationship going to be different with China or not?

Dr. DREYER. Nonetheless, we occasionally get upset with our allies for talking with China—with our *allies*. And when the British were talking in '78–'79 about selling Harriers to the Chinese, there were a number of people in U.S. intelligence agencies who got upset by that.

So I'm not sure you can draw a hard-and-fast line here.

Dr. GELMAN. No, I agree.

Dr. WHITING. I have a question to Harry basically, and it ties in with Bob Ross' presentation this morning. The fighting in the South China Sea that took place last March found the Chinese an easy winner. The capabilities of the Chinese in the South China Sea to stake out their claims around the entire sea surpassed those of the Vietnamese. Any increase in the Vietnamese capability is going to have to come from Soviet weapons presumably. Do you envisage the Soviet Union persisting in a bilateral relationship with Vietnam to beef up its capability in the South China Sea to deal with Chinese frigates, or do you see this as subject to negotiation with the Chinese on the limitations of what will be provided to Hanoi? Because this is a more serious point of confrontation than the border.

Dr. GELMAN. I don't know. My gut feeling is that the Soviets will not discuss this with the Chinese but they will simply drag their feet in dealing with the Vietnamese. This is the more Soviet way of behaving.

There is an anomaly, and in this area as in many other areas Gorbachev is trying to have the cake and eat it too. He's trying to go on with the military and economic relations with Vietnam to maintain a Soviet political position in the Indochinese peninsula; and at the same time, to propitiate the Chinese. It is a question of how important the Chinese deem it and how much they're going to press the issue.

Beyond that, I don't think the naval capability is going to make a great deal of difference. The Chinese are increasing their capability, I understand, a lot faster than the Vietnamese are anyway.

Dr. ROSS. I agree with Harry on that. It seems the Soviets will try and have their cake and eat it too; and it's a question of the bilateral Sino-Soviet negotiations and what the Chinese can get.

And you're right on the navy. I can't imagine the Soviets upgrading their military transfers to Vietnam; that's needless at this point. The trick is to maintain the status quo, if you will. And that's, I think, where the Chinese pressure will come, to reduce that level.

And of course you're right about the navy, that has been China's major focus on naval power projection, and there's not much the Vietnamese are going to be able to do about that. I don't think the Soviets are going to make a major effort to offset that.

RON MONTAPERTO. Which leads right into my question for June mainly, but for everybody really. It seems to me that in your discussion of the potential for Sino-Soviet military ties or relations of some sort, you haven't said very much about China's own perception of its geopolitical, geostrategic situation. And two things occur.

I think we would all agree that the Chinese are not particularly concerned about an imminent Soviet threat any more, or at least for the time being. And indeed they're trying to figure this whole thing out as to what it means.

At the same time, you see certain things happening with the force structure in terms of rapid deployment, rapid reaction, fist units, all of that whole thing, which I think implies that militarily China is looking in a different direction, or is beginning to shift the direction in which it thinks it might want to be projecting military

force. That's one thing, what I mean by the geostrategic environment providing some sort of impetus for various ties.

The second thing one could say is that much might depend to a large extent upon what Japan decides to do with its own defense posture, in terms of its own relationship with the Soviet Union. What happens on the Korean peninsula? I guess what I'm saying is that superficially, at least, if one looks at the strategic environment in the way that it's changing, particularly taking into line China's own view of what it might like to do as a budding regional power, or indeed as an emerged regional power, that raises certain implications and possibilities and potentialities for some form of military interaction with the Soviet Union.

Now, alliance—I don't know—relationship; words are indeed difficult. But I'd like to hear what you might think about that; just what in fact it does offer.

Dr. DREYER. My impression of the Chinese change in strategic thinking—and that is away from the fact that the war is going to be all out and nuclear, and toward the concept of limited wars involving rapid deployment and fist units, and so on—is that it is not really intended for projection, or at least not for projection very far from China's borders.

As to how China could cooperate with the Soviet Union, I don't see the possibilities of joint troop maneuvers being very likely. You may feel otherwise, but it strikes me that these are not the sort of skills and techniques they would like to share with the Soviet Union.

Dr. GARRETT. Just a comment on a recent report on a conference in China, I guess the consensus view was that Sino-Soviet military ties would start slowly and fade away. [laughter] Do you see any prospect for that kind of direction? A sort of initial enthusiasm for lots of reasons, including Americans meeting at the top level with the Soviets to discuss their differences, etc. But then a lack of enthusiasm for really taking it very far and, like I said earlier, the orientation really being away from each other rather than toward each other? Do you think that's a possibility, as we answer Harry's question of about 10 years . . .

Dr. DREYER. Yes, because I see, at this point, the absence of any military relationship at all between the Chinese and the Soviets being quite peculiar and anomalous. And when one starts something, one has to make some gestures, which in this case I think are going to be mostly symbolic in nature. I don't think there's a great deal of potential by either country except in a symbolic nature for things to go forward.

The phrase "to start slowly and fade away" is intriguing. I'm not sure they're going to fade away. But I don't believe they're going to get very far beyond the initial steps.

Dr. GELMAN. I think that many of the Soviet military leaders would fight tooth and nail against giving the Chinese anything that could be shot back at the Soviet Union.

A Soviet decision to do this is a contingency which is conceivable, but it's down the road and presupposes other things which have not yet happened.

For example, I would expect to see first a document ratifying the new Sino-Soviet border, a big reduction in the Soviet force posture

in the Far East, and the Soviets obtaining some reason to believe that Chinese forces were also being significantly reduced. These things are prerequisites in the minds of the Soviet General Staff. They do not come subsequently; they come before you give the Chinese anything that might some day be used against you.

You do have Sino-Soviet contacts which are increasing and improving and the climate of opinion is changing. And maybe someday we'll reach that point. But other things have to happen first.

Dr. HARDT. I don't quite understand, in Harry Gelman's presentation, the Chinese adamancy about mutual reductions. I start from the proposition that everyone in Asia would like to see the Soviet military capability reduced, and that would apply to Soviet forces on China's border. The Chinese also have a burden of maintaining their military. And, although they have unilaterally reduced the burden and held it down by keeping modernization in the military "the fourth modernization," why not proceed with Asian discussions parallel to those in Europe toward both unilateral and verifiable reductions?

Dr. GELMAN. I think it's quite possible they will. I'm reporting that up until now they have not. And it's very clear that they are extremely reluctant to commit themselves, and Shevardnadze has been prodding them in the direction of accepting reciprocity.

There are structural reasons for the Chinese reluctance. There are enormous asymmetries between the two military forces even greater than in Europe. Basically it's a difference between a huge imbalance in manpower versus a huge imbalance in firepower and technology.

In addition to that, the Chinese, as I said, do have some reason at least for hoping and suspecting that the Soviets, having done some unilateral things already, are going to have to go on doing more unilateral things. So why give the Soviets anything significant?

Dr. HARDT. Isn't there another factor, that the Chinese don't want to get out front of the West in conventional arms reduction?

Dr. GELMAN. I didn't get into that, but to the extent that the Chinese do—I hinted at it—to the extent that the Chinese do agree formally to significant, major reciprocity, they give the Soviets big political ammunition which they're going to use against NATO and Europe, and the Chinese are acutely aware of our sensitivity on it.

Dr. HARDT. So if you go to the 10-year question, you can well foresee then a scenario for reduction on the basis of a mutuality and a negotiation, an Asian counterpart of Conventional Arms Reductions in Europe (CFE)—a Conventional Arms Reduction in Asia (CFA).

Dr. GELMAN. I could foresee that as a possibility. I think there is a larger possibility that Gorbachev is going to be forced to make more and more unilateral reductions, because I think the Soviet economy is in such dire straits that this is going to have to happen.

The CIA-DIA report to the JEC said that they're going to have to make much larger reductions than they identified in order to get 10.4 percent out of the military budget. Where's it going to come from, besides R&D? They'll have to further reduce their conventional forces. That's the point.

Dr. HARDT. And that's why the Chinese are waiting.

Dr. GELMAN. I think that's one reason. If they read that report, it will encourage them in their attitude.

Dr. GARRETT. I think that the Chinese are very reluctant to codify inferiority, which would be the result of such an agreement. I think there's a third possibility here and that's simply a process of unilaterally reciprocated reductions. They reduce more, the Chinese feel confident to reduce some more, but never agree on actual levels in some formal sense. It would have to be verified. It could raise all the problems you're suggesting, put China in a position of inferiority. It doesn't seem necessary, and they can get the gains they want pushing for unilateral and then take more steps—they already claim that their million troop reduction, whether it's true or not, is a contribution to this process. So that seems more likely.

Dr. GELMAN. Yes, I think that's possible.

Dr. ROBERT FARMER. I just have a comment on the Sino-Soviet military relationship. It seems to me that the Chinese, in their dealings with most of the other military forces in the world, are out there to get something in return, and I think in their dealings with us obviously they've gotten some technology and they've gotten some exchanges and other things. And it would seem to me that they'd look for similar benefits from a Soviet military relationship. There are Soviet technologies that are available out there that are cheap and simple. Obviously the Soviets are not going to give them top-of-the-line materials, but there are things that the Soviets might be willing to let them take a look at, to buy, to copy possibly, or whatever. The Chinese see this, and it would seem to me, again, that they would try to mirror the U.S. relationship with the Soviets, to keep the balance there. Obviously I agree with what's been said about them thinking that we have better technology and would like to have us on the stronger side of the relationship, but I think there's value from the Chinese perspective to look at what the Soviets have to offer.

The Soviets are in the process of playing catch-up ball with regard to a military relationship with the Chinese. And the Soviets, by virtue of that sense of playing catch-up, will probably make some nice offers to the Chinese that the Chinese will not want to refuse.

Of course they'll be very sensitive to the impact on the U.S. relationship, and they'll be careful about that. But there are things out there that I think the Chinese would be very happy to talk with the Soviets concerning a military relationship—exchanges of high ranking military officers, lower level working groups, as Dr. Dreyer pointed out, and some student exchanges—pretty much mirroring what we have.

Again, I think they're looking for a balance. They don't want to be used or be taken for granted by any one of the superpowers. And I would think that they would try to establish some kind of a balance, maybe again a little stronger balance towards the U.S., but somewhat of a better balance than there is right now.

Dr. ALFRED WILHELM. Al Wilhelm, with the Atlantic Council. I agree with what Bob Farmer and June Dreyer said about the likelihood of a pattern appearing in the way the Chinese are going to try to run their relationship with the Soviets. Similarly, I think that the military relationship with the United States has been

largely structured by the Chinese. The U.S. loosely defined the kinds of issues that we were willing to deal with and the Chinese largely defined what would transpire in that relationship, guided by their interest in education and technology exchanges by which to upgrade their infrastructure. If the Chinese approach to the U.S. is followed, what Bob Farmer is saying about the Chinese relationship with the Soviets will probably come true.

Both sides have already exchanged military attaches, June. The Chinese have attaches in Beijing and vice versa. That relationship has never gone away.

Dr. DREYER. I'm sorry, you said something you didn't mean; you said that the Chinese had military attaches in Beijing. You mean the Soviets?

Dr. WILHELM. I meant the Soviets have attaches in Beijing and the Chinese have attaches in Moscow. That's a small point, though. The normalization process will probably proceed along some of the lines that you're talking about.

If you go into a Chinese military library, you'll find that roughly 70 to 90 percent of the foreign literature that they have is Soviet material, most of which was acquired during the '50s and '60s.

While they have kept up with Soviet military writings, it still has been policy within the PLA to maintain some Russian language capability, it is becoming more popular within the PLA to learn Russian again. Russian was just recently reintroduced into the Chinese military academy system as a key foreign language.

You'll see more contact, contact like the U.S. has had with the PLA, in which the Chinese will be interested in finding out how the Russians think about a variety of issues.

Sino-American mutual understanding is predicated upon our ability to read what the other is saying, to talk with the intellectuals in each others' research organizations, etc. These are very important contacts which the Chinese have begun with East Europe and I'm sure they'd like to begin them with the Soviets. They'll be quiet, we'll see very little about it, but it will go on.

Dr. GELMAN. How about arms sales?

Dr. WILHELM. I don't think arms sales will play a very big role in the Sino-Soviet relationship because, as has been pointed out, the Chinese don't have much foreign capital. Even in their civilian trade with the Soviets, it's largely barter trade. They haven't come to any kind of agreement on how to get money back and forth across the borders. By and large, technology transfers are going to be limited in the same way.

But I do think, as Bob Farmer pointed out, the Chinese have an interest in some Soviet technology. The Chinese took Russian artillery and improved on it, and now they've got better artillery in some cases than the Russians have got. But there are a lot of areas where the Chinese would like to upgrade and could use the leap forward the Soviet help would give them.

I don't think it will be very much, both due to China's limited resources and by their choice. The Chinese are very proud of their R&D base; independence demands that it be developed to its fullest.

Moreover, it seems to me that the Sino-Soviet relationship will provide an argument within the Chinese military structure for the

movement of funds from force maintenance to R&D, which I believe within the military strikes a very favorable chord within a large number of its senior people. They need more money in R&D, they need more support. They will welcome Soviet assistance as they would welcome our assistance. But a large part of what they're doing is their own independent research and they lack funds. So if they can improve their relations with the Soviets, they can reduce their force commitments—they don't have to do it on any agreed schedule—that will help them a lot.

Another factor to consider is that the Chinese are moving into a posture vis-a-vis the Soviets similar to that of the U.S.—that is, war with the Soviet Union is our greatest potential threat but least likely to come to pass. The Chinese are now moving into that same kind of environment. Heretofore, the Soviet Union was their greatest potential threat and generally their most likely threat. Now the Soviet threat is less likely. Other threats have become more probable.

Notably, Vietnam keeps popping up. India is on the southern border. These threats require different kinds of equipment and different kinds of capabilities than would war with the Soviets. The Chinese now have or will acquire the capability to divert more resources to other more likely kinds of activities.

Ron Montaperto mentioned a restructuring of the military to certain kinds of other capabilities. Where would those capabilities be used?

I don't see them being used in condominium with the Soviets, but I do see unilateral capabilities that will be worrisome to China's neighbors in the area.

Dr. ELLISON. A very brief question, an item of information: one thing I missed in the discussion of the Soviet-Chinese relationship in ground forces is a formula from the Chinese side, the counterpart of the European formula based on elimination of the Soviet offensive capacity. Does it remain vague in some way? Do they not want to put it in those precise terms, or what's the explanation?

Dr. GELMAN. The formula 10 or 15 years ago was that the Soviets must remove their forces beyond the Urals down to the level that existed in Khrushchev's time, which was 17–20 divisions as opposed to 50-odd.

Since then it's gotten vaguer, as time goes on; it's extremely ambiguous now. I don't think the Chinese want to be specific. They're just waiting to see what Gorbachev will do; it's up to Gorbachev to specify what he intends to reduce.

I don't think the Chinese intend to get specific about what constitutes a satisfactory reduction. At least thus far they've not.

Dr. ELLISON. That almost suggests it really doesn't worry them.

Dr. GELMAN. It doesn't worry them, but they want to see continued progress in this direction.

Dr. FARMER. One of the points that I think June brought out was that the Soviets have most of their valued areas of real estate right on the borders, and are thus very vulnerable to any kind of a cross-border attack by the Chinese. So they don't have the benefits of being able to move back or move away, otherwise they'll lay open their major cities and lines of communications and so forth.

Dr. GELMAN. Particularly in the Far East Military District.

Dr. WHITING. Just a small footnote on this question of what might the Soviets have that the Chinese could want and wouldn't fall into the firing category. A high altitude helicopter is one item. We have people on the Hill who are very upset about a prospective Chinese acquisition of high altitude helicopter capability from American firms because of the question of giving them freedom to suppress Tibetan dissidence.

This relates to the question that Don raised this morning in terms of India. The relationship that the Soviets had with India in the past has given the Indians this capability which the Chinese didn't like to see on the Indian side of the border because the Chinese didn't have it on their side of the border.

Well, here's one of those very complicated areas where an American denial and a Soviet acquisition capability opens up a line, depending upon how the Soviets would play New Delhi's objections.

So there are non-firing but political-military potential capabilities that could be more than exchanges of personnel between the two.

Dr. SUTTER. Thank you very much. We'll now move on to the economics panel, and I'll turn it over to Ray Ahearn.

PANEL IV: THE ECONOMIC IMPLICATIONS OF SINO-SOVIET RELATIONS

Dr. AHEARN (presiding). For the next 45 minutes, we'll be shifting focus from guns to bread and butter issues. The focus is on the economic trade and foreign investment dimensions of Sino-Soviet relations and assessing the implications of those relations for their impact on the Chinese economy and the Soviet economy, the region, the United States, and the world. We're going to do that in 45 minutes. [laughter]

Let me introduce our two panelists and let them begin. The first panelist is Nicholas Lardy who is a Professor of International Studies, University of Washington; he's also Chair of the China Program at the University's Henry M. Jackson School of International Studies. Nick, as all of you know, is a specialist on the Chinese economy.

Our second panelist is John Hardt. John has already been introduced. He is the Associate Director for Research at CRS, and a senior specialist, and he's an expert on the Soviet economy and East-West commercial relations.

I'll ask Nick to begin.

STATEMENT OF NICHOLAS LARDY, PROFESSOR OF INTERNATIONAL STUDIES, CHAIR OF THE CHINA PROGRAM AT THE JACKSON SCHOOL OF INTERNATIONAL STUDIES, UNIVERSITY OF WASHINGTON

Dr. LARDY. Thank you. Let me begin by making the point that began to emerge in the discussion this morning. That is that Sino-Soviet trade is taking place in the context of a very rapid increase in intraregional trade in the northeast Asian region. We see the development of a whole series of trade relationships that barely existed a few years ago that are now becoming quite large. They obviously involve South Korea in a major trade relationship with

China. I think we'll see an increasingly significant South Korean trade relationship with the Soviet Union which I think in turn will have a bearing on the question of the extent to which the Japanese wish to become involved in the development of resources and so forth in Siberia and in the Soviet Far East.

We have also the burgeoning relationship in trade and economic activity between Taiwan and the mainland. I think we will begin to see much more trade between Taiwan and the Soviet Union. And it's not clear to me, as some people were suggesting this morning, that this is something that will really disturb people on the mainland.

Another element of increasing intraregional trade is the very rapidly growing trade between the Soviet Union and China, which I talk about in my paper. It is, in the 1980s, China's most rapidly growing trade relationship. Trade has increased more than 10-fold and is likely, as I say in my paper, to continue to grow in the future. But I don't think it's necessarily going to grow at a much faster pace than it has in the past. Indeed it's virtually almost impossible to imagine the trade relationship growing over the next decade at the same pace as in the last decade. So I think those people that are looking for, as an outcome of the summit, a substantially increased trade relationship, are probably missing the boat in the sense that the rapid increase in the trade relationship has been going on over the past decade, and we'll probably see a sustaining of that growth over the next decade but at a somewhat slower pace.

I also talk about in my paper a range of other activities beyond purely trade that are going on in terms of various forms of economic cooperation between China and the Soviet Union, in terms of joint ventures that are being discussed, various forms of technical exchange, labor projects that involve a significant deployment of Chinese manpower in construction and timber and other activities in the Soviet Far East.

I'm going to say two things about this growing relationship: first, what is it that motivates it and what are the things that constrain it; and what can we look for as we move ahead.

One of the things I argue in my paper is that the economic relationship has had a momentum of its own over the past decade. In other words, this trade relationship began to develop long before the Soviets began to take steps to meet Chinese objections on the three obstacles. It seems to have a life of its own. And I argue that it's basically premised on the economic self-interest of both sides. In other words, if you look at the commodity composition of this trade and so forth—and I give some details on this—it's basically a trade relationship that makes a certain amount of sense from each side. The Chinese are getting goods from the Soviets that they're buying from other sources in the international market as well—timber, fertilizer, a variety of steel and steel products and so forth—these are all things they're buying from the world markets. If they can get some of these from the Soviets, it's simply an additional source of supply and one, as has already been pointed out, that does not involve outlays of hard currency which I think from the Chinese perspective is an advantage, not a disadvantage, as was suggested in an earlier comment.

Similarly, the Soviets are getting goods for which they have high demand. And again, in some cases they're buying from other sources in the international market. So I think the economic relationship has moved ahead of the political relationship, and based on the economic interests of both sides, both in the large scale barter trade that goes on nationally, but I would also say particularly with regard to the border trade that goes on in a much more decentralized basis. Again, that I think even more obviously is based on the perceived self-interest of both sides, and as my paper details, has moved forward relatively rapidly over the past few years.

Now, looking ahead, what are we likely to see? It is difficult to predict exactly what will happen. I certainly agree with the general comment that has been made by several people that both China and the Soviet Union are going to remain primarily oriented towards Western economies as a source of technology. This is particularly obvious in the Soviet case where the intention of trying to participate in the very actively growing trade in the Pacific region has been so clearly articulated in the past few years. It's clear that the Soviets are trying to link their domestic economic reform to the economic dynamism of the Pacific basin region. I don't think they have a very clearly articulated strategy of how to do this, but John will enlighten us on these matters no doubt.

But as you look ahead there are, of course, a number of constraints. My own view is that full political normalization and perhaps movement in other areas that we've been discussing is not likely to significantly accelerate the growth of the bilateral economic relationship. Despite the rapid growth of bilateral trade, there are a number of fundamental economic constraints. I think the Soviets are increasingly constrained by the unreformed character of their economy as compared to the Chinese. And I think there's some evidence that they're not able to respond as quickly as the Chinese would like in terms of shifting commodity composition of trade and so forth. It's more difficult for the Soviets, I think, to plan this trade out. They like to plan the trade out years in advance and so forth. And it doesn't fit quite as well with the free-wheeling Chinese trade which is, after all, 90 to 95 percent with market economies and growing overall at an extraordinarily rapid rate over the past decade.

So I think the biggest constraint, first of all, is the relatively slow pace, or the fact that economic reform in the Soviet Union is barely under way. I think there is the additional constraint that a large part of the bilateral trade is motivated by Soviet needs in the Far East, in the Siberian area. And the population base there is relatively small. The pace of economic growth there is far below an already dismally low overall Soviet economic performance. So that if you're looking at the likelihood of a dynamic trade relationship, China basically has a relatively poor partner in the Soviet Union, particularly because of the slow growth in the Soviet Far East and Siberia. There are obviously transportation infrastructure problems that compound these prospects for rapid growth.

What are the prospects in other areas besides just trade? I'm struck by how slowly the Soviet offer of helping the Chinese modernize 17 plants that they built in the 1950s has actually moved

forward. There have been a lot of discussions. The plants have been identified. But there seems to be foot dragging. The Soviets have offered credits on some of these projects. But it's very difficult to identify exactly what the bottleneck is. That process presumably could be substantially accelerated by political forces, since it has developed so slowly.

And I do think there are a whole series of areas in which the Soviets could be of substantial assistance to the Chinese in modernizing these plants. I think the Soviet technology in many areas is vastly superior to what is available to the Chinese. Of course, Chinese plant managers and ministries and so forth would prefer to have the most advanced Western technology if it were available, but clearly that's not possible in all cases. So I think there are some prospects there, but it will move forward relatively slowly.

One hears all sorts of rumors about what the Soviets would really like out of the relationship in terms of port rights at Dalian and restoration of the Soviet shipping all the way up to Harbin on the river and so forth, but the Chinese seem very cautious on moving ahead on these Soviet proposals.

So I guess my view is we'll see a continued growth of trade in a variety of forms which I outline in the paper. I think it's likely to be at a slower pace than it has been over the past decade. I could easily see some acceleration of technology transfer, perhaps some joint ventures, perhaps even a few large ones. But on balance I think it's an economic relationship that will probably be far less significant than China's economic relationship with Japan, the European Economic Community, and the United States.

SINO-SOVIET ECONOMIC RELATIONS: PROSPECTS AND IMPLICATIONS FOR U.S. POLICY

(Prepared Paper by Nicholas Lardy)

Introduction

The first decade of China's policy of openness to the outside has been marked by a rapid growth of economic relations with the Soviet Union, including not only substantially expanded trade flows but also a variety of other forms of cooperation including joint ventures, labor service agreements, technical assistance, and credits. These developments have been little noticed in the West in large part because of the presumption that the objective of China's policy of openness is increased trade and economic cooperation with market-oriented rather than other socialist economies. China's frequent reiteration of its view that there can be no significant improvement in Sino-Soviet relations until the Soviets remove what the Chinese refer to as the three obstacles also served to mask a rapidly growing economic relationship.

Now that the Soviets have withdrawn their troops from Afghanistan, pledged to withdraw most of their troops from China's northern border, and apparently persuaded the Vietnamese to pledge an early withdrawal of their troops from Kampuchea, what are the prospects for the Sino-Soviet economic relationship and what are the implications for the United States?

This paper supports two principal conclusions. First, the bilateral Sino-Soviet economic relationship is likely to grow significantly in the years ahead, but not necessarily at a pace faster than that of the past decade. There are several factors constraining the growth of the bilateral economic relationship, and even a substantially closer political relationship would ease these constraints only marginally. Barring major unforeseen developments, China's trade with Japan, Hong Kong, the European Community, and the United States will continue to be larger than its trade with the Soviet Union. This judgment, however, does not rule out increased competition between U.S. firms and Soviet suppliers to the China market in certain important products.

Second, the expansion of trade and other aspects of the bilateral economic relationship is based largely on each side's perception of the economic advantages of these relations. In short, expanded economic relations is not necessarily a precursor of a closer political relationship between the two sides. At the margin, the Soviets have sought to use expanded trade and economic assistance to forge a closer overall relationship with China but it is not clear that this strategy has been or will be effective. Thus, while the United States may lose market share in China in response to increased Soviet competition, expanded Sino-Soviet trade is not necessarily a harbinger of a close political relationship and does not threaten United States strategic interests. Indeed, to the extent increased trade reflects a further reduction in Sino-Soviet tensions it contributes to the United States' objectives in the East Asia region.

The Trade Relationship

The most salient aspect of the growing economic relationship between China and the Soviet Union has been the expansion of trade. As shown in Table 1, annual trade turnover grew more than tenfold between the early 1980s and last year, far outpacing both China's overall trade expansion and its trade growth with any other single trading partner. Whereas the Soviet Union was an insignificant trading partner for China at the beginning of the decade, by 1985, when trade reached almost two billion dollars, the Soviet Union had become China's sixth largest trading partner. Its rank rose to fifth in 1986.

Trade currently takes place through three separate administrative mechanisms. The bulk of commodity trade is barter trade at the central government level. Annual negotiations specify the varieties and quantities of goods and the total trade volume. Typically the commodities exchanged are incorporated into the annual national economic plan of each side. These exchanges thus provide international sources of materials and products that are in relatively short supply in each country's domestic market but do not require expenditure of scarce foreign exchange. Goods exchanged are valued at world prices and imbalances are settled in Swiss francs. This trade is the main object of the annual trade and payments protocols signed by the two governments. As reflected in Table 2, the most recent of these agreements was signed in March and called for trade flows (two-way) of 4.8 billion Swiss francs (approximately 2.9 billion U.S. dollars) in 1989

TABLE 1.—SINO-SOVIET BILATERAL TRADE, 1981–1988

(Millions of U.S. dollars)

Year	Total	Chinese Exports	Chinese Imports
1981	275	123	153
1982	389	144	244
1983	763	321	443
1984	1,283	594	688
1985	1,978	996	982
1986	2,640	1,200	1,440
1987	2,519	1,247	1,272
1988	3,230	1,430	1,800

Notes: Data are those released by the Chinese Customs Administration. Data for the years 1981 through 1984 are reported in the original source in yuan. These data have been converted to U.S. dollars using the official Chinese data on the average annual exchange value of the yuan. Data for the year 1985 and after are reported in the original source in dollars. The only data on bilateral trade released by the Chinese for years prior to 1981 were compiled on a slightly different basis by the Ministry of Foreign Trade.

Sources: ***China Statistics Monthly,*** February 1989, pp. 120–121; State Statistical Bureau, ***Chinese Statistical Yearbook 1988,*** p. 726; ***Chinese Statistical Yearbook 1987,*** p. 596; ***Chinese Statistical Yearbook 1985,*** p. 499; ***Chinese Statistical Yearbook 1983,*** p. 410.

In addition to these centrally managed trade flows, in 1982 the two countries agreed to reopen border trade following a hiatus of sixteen years. Border trade is locally approved trade that takes place outside the formal bilateral state-to-state trade agreements. Commodities exchanged typically are for local use and do not enter the national plan although they may be incorporated into provincial or local plans. Barter is the principal form of exchange and trade is settled in Swiss francs. It does not appear that explicit reference is made to world prices in these barter deals.

The volume of border trade has grown rapidly. As reflected in Table 2, initially trade was opened at only two land border crossings, one in Heilongjiang and one in Inner Mongolia. Subsequently the number of cities opened to border trade in these regions expanded and in 1986 separate agreements were reached to open border trade between Xinjiang in China's far northwest and Soviet Central Asia and between Jilin, Ningxia, and Qinghai and the Soviet border regions. The opening of the ports of Tongjiang and Leninskoye in 1986 was particularly important because it allowed the inexpensive water transport of bulk cargoes. For example, the Soviets began supplying a large volume of logs by river to China's largest paper mill at Jiamusi, near Tongjiang Port. As a result of these developments as well as substantial investments in navigation, aviation and ground transport facilities in the region the border trade expanded from 15.9 million Swiss francs in 1983 to 32.5 million Swiss francs in 1985. In the latter year the volume of border trade exceeded, for the first time, the previous peak level of 1959. By 1987 the volume rose to 50 million Swiss francs. In 1988 the volume for Heilongjiang, which accounts for the bulk of the border trade, rose 470 percent to 196 million Swiss francs.

Initially border trade involved only individual counties and towns in regions in either side of the border and was restricted to barter of goods. By 1986, under the expanded authority granted by the central government, Heilongjiang Province expanded its trade by developing cooperative relations with other provinces in China that wish to trade with the Soviet Union. This cooperation takes three forms: purchase of export goods from other provinces; acting

TABLE 2.—SINO-SOVIET ECONOMIC AND TECHNICAL AGREEMENTS [1]

Date/Place	Type	Provisions
April 16, 1982	Exchange of Notes Confirming the Revival of Border Trade.	Opens Suifenhe and Manzhouli on Chinese side.
March 10, 1983	Exchange of Notes Opening Additional Cities to Border Trade in Heilongjiang Province.	Heihe and Blagoveshchensk ports on the Heilong River.
December 1984 (Beijing)	Economic and Technical Cooperation Agreement.	Exchange of production technology; transformation of industrial enterprises; provision of technical services and training.
December 1984 (Beijing)	Scientific and Technical Cooperation Agreement.	Exchange of scholars and scientific experts, technical information.
December 1984 (Beijing)	Agreement to Establish Bilateral Committee for Economic, Trade, and Technical and Scientific Cooperation.	To supervise implementation of agreements and protocols on economic, trade, and scientific and technical cooperation.
July 10, 1985 (Moscow)	Economic and Technical Cooperation Agreement.	Soviets agree to modernize and build 17 industrial plants in China.
July 10, 1985 (Moscow)	5 Year Commodity Exchange and Payments Agreement.	Projects 36 billion Swiss franc trade turnover in the period 1986–1990.
January 23, 1986	Exchange of Notes Opening Cities in Xinjiang and Soviet Central Asia to Border Trade.	Opening of border trade between Xinjiang and the USSRs Kazakh, Kirgiz, Tadzhik, Turkmen, and Uzbek SSRs and parts of the Russian SSR.
March 21, 1986	Protocol on Exchange of Engineers and Technicians.	
March 21, 1986	Exchange of Notes Opening Chinese and Soviet River Ports on the Border.	Tongjiang and Leninskoye Ports at the confluence of the Songhua and Heilong Rivers.
March 1986	Commodity Exchange and Payments Protocol for 1986.	Projects 2 billion U.S. dollars in bilateral trade.
July 1986 (Moscow)	Agreement on Trade Exhibitions	Each side to participate annually in international trade fairs sponsored by the other through 1990.
August 1986 (Ulan Bator)	Protocol on Improved Cargo Transhipment	Signed at the conclusion of the first Chinese, Mongolian, and Soviet railway conference since 1966.
August 1986 (Beijing)	Agreement to open Jilin, Ningxia, and Qinghai Provinces to Border Trade with Soviet Border Regions.	
October 23, 1986 (Beijing)	Agreement to establish a Committee to oversee Amur and Heilong River development.	To draft a comprehensive plan including power generation, flood, navigation and water utilization along their common boundary.
March 2, 1987 (Moscow)	Commodity Exchange and Payments Protocol for 1987.	
March 1988 (Beijing)	Commodity Exchange and Payments Protocol for 1988.	Projects increased bilateral trade in 1988.
June 1988 (Beijing)	Agreement on the Principles for Establishing JointlyOperated Enterprises..	
June 1988 (Beijing)	Agreement on Regional Trade	Allows all Chinese Provinces to enter trade agreements with Soviet Republics and other units.
March 3, 1989 (Moscow)	Commodity Exchange and Payments Protocol for 1989.	Projects 4.8 billion Swiss franc trade turnover.

[1] Excludes agreements signed between Chinese provinces and autonomous regions and Soviet republics and other units below the national level.

as an agent in the sale of goods produced in other provinces; and jointly running factories producing goods for export to the Soviet Union.

The provisions of a mid-1988 Agreement on Regional Trade further expands this economic interchange. First, provincial-level administrative units throughout China may directly enter into bilat-

eral barter trade agreements with their Soviet partners. Shanghai, for example, has begun to pursue new opportunities created by the opening of regional barter trade, signing barter trade agreements in December 1988 and January 1989. Under these agreements the Soviets are supplying fertilizers and refrigerators in exchange for garments, thermos bottles, shoes and wallpaper produced in Shanghai. The Shanghai Foreign Trade Corporation, the only local entity authorized to deal directly with the Soviet Union, has expanded its barter trade department to handle the new business relationship.

Second, whereas barter trade previously was the only form of interchange, other forms of local economic cooperation are now allowed. For example, Heilongjiang has now been authorized to establish joint venture enterprises, labor export projects, and various other forms of economic cooperation, including the exchange of technology, with the Soviet Union. By late 1988 more than 1,200 Chinese workers from the province were working in the Soviet Union in vegetable growing, timber cutting and construction projects. That number is expected to expand to as high as 10,000 in 1989.

The commodity composition of the bilateral trade reflects the underlying economic rationale of the expanding flow of goods between the two countries. Chinese imports consist principally of industrial goods such as electrical equipment, diesel locomotives, automobiles, aircraft, chemicals, machinery, and rolled steel and other steel products and so forth as well as raw materials such as timber. The value of the major commodities China purchased from the Soviet Union in 1985, 1986 and 1987, as well as the Soviet rank as a supplier of these products, is shown in Table 3. This table clearly reveals the importance of the Soviet Union as a source for several key Chinese imports. These goods are in short supply on the Chinese domestic market and for most categories of goods the Soviet Union represents an alternative source of supply. In some cases the Soviet goods are less expensive than those from Western suppliers. Although their quality is sometimes lower, as in the case of commercial jet aircraft, this is frequently not adequately considered by the Chinese. Moreover, since trade is carried out on a barter basis goods can be purchased with little or no foreign exchange outlay, an advantage for China when markets for allocating some foreign exchange are in their infancy.

TABLE 3.—CHINA'S MAJOR IMPORTS FROM THE SOVIET UNION, 1985–1987

	Value (millions of dollars)			Soviet rank as a supplier		
	1985	1986	1987	1985	1986	1987
Timber	115	267	166	2	2	2
Aircraft	54	138	15	3	2	4
Automobiles	157	138	166	2	2	1
Trucks & Limousines	NA	78	8	NA	4	2
Steel Products	224	278	268	5	3	3
Aluminum Ingots	64	104	115	4	1	1
Urea	NA	65	76	NA	1	1

Notes: NA = Not reported. Since 1984 China has reported annually on the country of origin of a selected number of import products. But the specific product list varies from year to year. Data in this table are compiled by the Ministry of Foreign Economic Relations and Trade.
Source: ***Almanac of China's Foreign Economic Relations and Trade 1988*** (Hong Kong: China Resources Advertising Co., Ltd., 1988) pp. 642–679.

Chinese exports consist predominantly of raw materials, primary products and consumer goods that are in short supply in Soviet markets. Principal commodities include soybeans, corn, peanuts, fruit, tea, tungsten and other ores, thermos flasks, and other light industrial goods. As in the Chinese case, the Soviets were already importing many of these goods from the West prior to the marked expansion of trade with China. The Soviet Union has been a consistent importer of grains and there is a huge demand for Chinese textiles and other light industrial goods.

Other Forms of Cooperation

In addition to an expanded trade relationship, the Soviet Union and China have initiated joint ventures and labor service agreements and the Soviets have extended economic assistance and credit to China.

Perhaps the most important of these is the Soviet offer to provide technical assistance to upgrade and modernize 17 major Chinese industrial plants that were among the 155 major projects built with Soviet technical assistance in the 1950s and to provide assistance in 7 new complete plant projects. An umbrella agreement covering this assistance was signed in mid-1985 (see Table 2). Surveys to identify the enterprises to be modernized and sites for new plants were reportedly completed in 1986 and details on specific projects have been disclosed in the ensuing years. For example, in February 1989 the two sides signed an agreement for the joint restructuring of the Jiamusi paper mill, China's largest. According to the agreement, the Soviets will invest the equivalent of 134 million Swiss francs in designs, equipment, and technology to add a kraft box paper line to the existing paper mill. The annual production capacity will be 85,000 tons, a portion of which will be supplied to the Soviets in return for the supply of the additional conifer material that will be used by the mill and as repayment for the Soviet investment. Also in 1989 the Soviets agreed to provide technology to modernize the Baotou Iron and Steel Works, another project originally built with Soviet technical assistance in the 1950s. The Soviets have expressed a willingness to provide assistance to modernize and update other major steel facilities built in the 1950s based on imported Soviet technology and equipment.

The most important potential Sino-Soviet joint venture is a paper pulp mill which would be built in Heilongjiang Province. The mill, which has a planned capacity of 250,000 tons annually, would utilize Soviet soft logs from the Far Eastern region and a good deal of Soviet equipment and technology. The Chinese would ship paper pulp back to the Soviet Union to repay the Soviets for its investments and supply of raw materials. This project, which is currently in the feasibility study stage, if approved, would be one of the largest joint ventures in China

In addition to the pulp-making project the Chinese Ministry of Light Industry is discussing with potential Soviet partners cooperation projects in the food, beverage, leather, detergent, furniture, watch, thermos flask and garment industries.

Soviet loans have been offered for two projects. The first is completion of the missing link in the Chinese railway to the Soviet

border, the construction of which was suspended in 1960 at the time of the Sino-Soviet split. The line, which runs west from Urumqi, the capital of Xinjiang, will join a main Soviet east-west line at Alma Alta, just over the Chinese border. The Soviets have offered to supply rails and equipment for the second stage of the project, west of Wusu, repayable with Chinese goods. The extension should be completed in the early 1990s and will be the fourth rail connection between the two countries. Not only will the line facilitate increased trade with the Soviet Union, since it will open a route from China's main port of Dalian in the Northeast all the way to Rotterdam, it will facilitate increased trade with Europe as well.

The second, more recent offer of a 125 million U.S. dollar credit is in conjunction with the proposed Soviet renovation of the Baotou Iron and Steel Works in Inner Mongolia, mentioned above. The loan would finance the purchase of new technology and equipment to improve steelmaking procedures and technique for the production of seamless steel tubes and railway tracks.

Future Prospects and Implications for United States Policy

Sino-Soviet trade will continue to grow. But, even if political relations are improved significantly as the outgrowth of the Sino-Soviet summit meeting this spring, the pace of this expansion is not likely to exceed that of recent years. Infrastructure poses an obvious constraint which will be only partially alleviated by the completion of the fourth rail connection between the two countries in northwest China in the early 1990s and the opening of direct shipping between ports such as Vladivostok in the Soviet Far East and Chinese ports. Border trade specifically will be limited by the very small population in the Soviet Far East. Trade also is constrained by the relatively unreformed nature of the Soviet planning and foreign trade system. Substantial decentralization of trade authority in China has led to increased flexibility in trade whereas the Soviet participants in the bilateral relationship are more heavily constrained by bureaucratic and formal planning structures. And, although leaders in the Soviet Far East speak about their desire to develop a more open development strategy, they do not seem spurred on, as do leaders in Heilongjiang, by the prospect of losing out in export competition with other regions. Finally, increased bilateral trade may be constrained by the broad difficulties the Soviets face in opening up the Soviet Far East to the Pacific Basin economies. The slow pace of domestic Soviet economic reform and the relatively slow economic growth of the Far Eastern region will inhibit the Soviet attempt to adopt a more externally oriented pattern of development, in turn constraining the growth of Sino-Soviet trade.

The Soviet program to upgrade and modernize Chinese manufacturing plants built in the 1950s could be accelerated by improved political ties. To date, progress on this program seems slow, so high level political backing of it on both sides could lead to a speeded up pace. That in turn would increase the level of trade since the Soviets will supply the new machinery and equipment needed for these

projects and the Chinese will export increased flows of goods to pay for these imports.

Increased Sino-Soviet trade already has and will likely continue to displace some U.S. exports. For example, the Chinese purchase of nineteen Tupolov jet aircraft in 1985 in a major barter deal presumably was at the expense of similar medium-range commercial jet aircraft produced by Boeing, McDonnell-Douglas, or Airbus. Delivery of these planes began in 1986. By early 1989 at least 14 TU-154 aircraft were in the Chinese commercial fleet. Similarly, in 1986 the Soviets provided China with two sets of 210 megawatt power generation equipment, another area in which American firms have been significant exporters to the world market. Another example of a competitive product is timber. Soviet shipments of timber to China have soared from around one-half million cubic meters in 1981 to 1.9 million cubic meters in 1984 and then 2.9 million cubic meters in 1988. Japanese sources expect this to expand further to 4 million cubic meters in 1989. Rapid growth in the last few years and in 1989 is made possible by the deployment of thousands of Chinese loggers to cut trees in the Soviet Far East and the barging of logs to Chinese coastal ports as far south as Shanghai, supplementing the shipments by rail, via the border crossings at Manzhouli and Suifenhe, and river, at Tongjiang.

Closer political ties could significantly expand areas of trade competition displacing potential U.S. sales to China. The Soviets have for several years sought, for example, to sell their wide-body aircraft and nuclear power plants to the Chinese. [end of prepared paper]

STATEMENT OF JOHN HARDT, SENIOR SPECIALIST,ASSOCIATE DIRECTOR FOR RESEARCH COORDINATION, CRS

Dr. HARDT. The approach to the economic relations of the Soviet Union to the Asian community is surely one that one would project as being relatively modest, although in recent years, as Nick Lardy has indicated, it's been on a trendline up.

So what I would like to raise to you is the question of under what circumstances would it be different than that? This is along the lines of the traditional economists who solve the problem by assuming that there's a can opener. Well, my can opener in this process is Mikhail Gorbachev, in the main. This leadership variable is of course what has been referenced earlier, in particular by Herb Ellison.

Let me try to pose the propositions of change to raise the question, at least in our minds, as to whether or not these are credible changes.

The political context for economic relations is important in the PRC, in Japan and in South Korea, especially the military and political relationships with the Soviet Union. In judging future action in Asia by Gorbachev, one can look at what policy the Soviet Union is projecting elsewhere, and specifically in Europe for the military relationship. And does that apply on a consistent basis to policy in Northeast Asia? Specifically in reference to the military question, is it reasonable to expect the Soviets to follow through on what is presumably or arguably a new military doctrine, one of reasonable

defensive sufficiency, one which has permitted or encouraged them to develop a deep cutting negotiating posture? It is a doctrine which some would argue—General Goodpaster, for example—that NATO could present as a useful basis of negotiation: a level of future force development which would be substantially less—on the order of half—*if* it were stable and balanced from the standpoint of both sides. If Gorbachev initiated such arms negotiations in Asia, the context for economic relations would change.

Related to that is the proposition, extending the notion of verification and inspection, that economic indicators could be built into the negotiating proposition. So, changes in the draft, in capacity, in other economic activities, as well as indicators on those changes that would indicate verification of offensive versus defensive capabilities, could be built into the arrangements. These are the propositions or the proposals that Tim Stanley and I have made in our Atlantic Council paper and have been discussed with some Soviets.

The point of going through this exercise is to raise the question, "Would this formulation of our response to the Soviet position be a reasonable parallel for Asia?" And if it is, then would it be a basis on which a changed security environment would be considered?

Likewise, if one takes seriously the Shevardnadze July statement (which is supposed to be Saint Shevardnadze's gospel) and speculates that it has implications and applications elsewhere, then the question of negotiating even the northern territories might emerge as a reasonable possibility.

I posed basically this question of symmetry three weeks ago in Moscow, as I think it is a reasonable proposition to raise. If it is a reasonable proposition to raise, I think it will only be raised publicly by Gorbachev himself.

But let's look, in reference to this, to the pattern of Gorbachev's approach. Gorbachev, it seems to me, has been following a pattern whereby he lays down a general line and then, on a tactical level, he goes as far as he can on the general line and then stops, not to retreat or rechange his line, but to await another occasion and then move forward. This is a pattern that one can perceive in the domestic scene. And I go back to the discussion on leadership questions involving domestic economic policy and political policy. So perhaps one can project the new Gorbachev line as a framework within which future proposals and developments may be the basis of eliciting change.

Well, if one doesn't accept this proposition, I think the military international environment will not change. And that will be a major continuing constraint. But I suggest that if one does assume that these may change, under whatever scenarios and looking at it from the 10 year ahead period, then I think this could be a major factor in changing the economic environment.

And let me go, then, to the economic environment. What would make a major difference?

Well, when Seizo Ota, president of Tokyo Mutual Life Insurance Company, suggested they were interested in investing $4 billion in the development of a special economic zone south of Vladivostok—you're perhaps familiar with that proposal—each of the Japanese I talked to, particularly in the Foreign Ministry, said, well, not without out settlement of the northern territories question, not without dif-

ferent political circumstances. Other Japanese said, well no, proposals have to be commercially viable. So there has to be a change in their economic policy. Political-military changes are necessary but not sufficient. This is not 1975. There really aren't any obviously commercially viable projects, even if the political situation has been resolved.

Commercial viability is also a question for the South Koreans: would they be more flexible than the Japanese? Well, as indicated, they are less constrained and much more interested in developing a political environment. But if you've talked to heads of various Korean companies, such as V.K. Park, an executive of Samsung that we talked to at a July, 1988, meeting in Seoul, his conditions clearly concerned profitability, and they do not currently see the basis of assuring profitability. Yes, they will go to Moscow; yes, they have investment capital. However, the conditions have to be set down so that they can control quality and marketing and profitability. There, profitability is still an important element.

So if Western investment is available—and it could be also available from U.S. sources—and the political and military environment changed, would that be sufficient to elicit direct Western investment in Soviet Siberia? I do not think so. We also have to look at domestic economic changes in the Soviet Union. And here I think the important thing is to query what are the requirements of perestroika for foreign commercial involvement? We have a long list of particulars on a Soviet economy in trouble. Precisely what domestic shortfalls need to be redressed and what economic reform steps need to be made which might convince the potential Western partners in Asia that making an arrangement with the Soviets would be profitable? That is the bottom line of any of these joint ventures.

In terms of economic reform, it's quite critical to the Soviets to make progress in domestic reform sufficient to make interdependence pay. It's like organ transplants to alien bodies. If you leave the Stalin system or if you leave the Brezhnev system intact, you do not get the effect in efficiency and performance. There is a limited foreign commerce advantage to both partners if the Soviet economy remains unreformed.

This is a generalization which I could elaborate on, but I think the Soviets are aware of it. They refer in many cases to the import of U.S. grain in the detente period of the 1970s as a "drug habit." They imported grain through the port at Odessa and lost just as much of it (about 25 percent) before it reached the tables as they do of grain grown in their own grain heartland. The reason was they had not reformed their agricultural supply system. If the Soviets proceed in domestic reform, it is going to make it much more attractive for them to be involved in foreign economic relations.

So on that level, I think one can see several areas of reform which are crucial. One is the area of price reform or monetization. And as long as the economy is not monetized, as long as it has this enormous monetary overhang, as long as it has very considerable difficulties in figuring out what it is they need and how they can use it and how they can effectively utilize goods and services in their system, they will have difficult problems in taking advantage of international comparative advantage.

Second, priorities are being set for imports that could improve efficiency and incentives. This is potentially helpful but does not resolve the efficiency problem. The objective for consumers includes improvement of the quality of food processing, diagnostic medicine, and housing and environmental conditions. In the food area, they are in the position where they are beginning to address the problem of producing more food and dealing with the infrastructure problem of moving food from farm to market. It's when they begin to implement system reform that they need to have more resources from the military. That is when it becomes more important for them to have capacity to produce food processing equipment. That is when it becomes more important for Archer-Daniels-Midland and RJR Nabisco—these are part of the current American trade consortium—to provide modern equipment that can fit into this reformed agricultural process where the peasants are more effective because they're moving toward the family farm, the infrastructure is better, and the Soviet rural managers put new technology into a more effective agricultural process.

And the third point is that they have to make the Soviet foreign economic system more friendly to Western partners.

Now going back to Mr. Ota and other potential Asian partners. In discussions with Japanese, I hear them asking "What can we possibly be interested in?" So I gave them the following example which I will share with you, because I have been exploring it with Soviet specialists.

Suppose the Soviets said, "We have a resource base in Siberia with a number of areas that have proven resource reserves that could provide productive competitive exports in the world community; I pick out wood pulp, because pulp is saleable; it's not a commodity that is in excess supply in the world market. There are a number of areas in Yakutia in East Siberia that are very good pulp producing areas.

Now suppose the Soviets were to say, "We have this new law on leasing and will extend 50-year leases to a foreign bidding process for tracts of land that are in the best pulp producing timber area, and the foreign enterprise will have control." Therefore, over this 50-year lease period, foreign managers would run the enterprise, control the labor force, the bonus system, etc. How would Western enterprises view that opportunity?

This type of option would begin to get Japanese, American, Korean interest. Now are 50-year leases a possibility? Well, they are not a certainty, but they are logical possibilities. And if Mr. Ota is going to develop Nakhodka or some other Siberian special economic zone, he would not invest just for developing a harbor. He would more likely invest for a profitable development of the port with the hinterland. So that's why I think projects like a pulp and wood product resource base would be important.

Is Gorbachev likely to do this? Well, my reading of his self interests is that it's a possibility. And it is a possibility in terms of people I know in the debate on these issues. It is a possibility also that relates more directly to the military resource question, which I haven't elaborated on. But I think the ability of the Soviet Union to expand their activities in the foreign market in the near term will require direct investment of Western countries in the Soviet

Union, a very substantial increase in the availability of hard currency for which the major role should not be from credit, but from expanded hard currency earning capabilities.

And therefore in the near term, they're going to have to figure out some way to take Siberia—East Asia and the Far East—out of the cold refrigerator. [The resources of these regions have been called "frozen assets" in some Soviet discussions.] Fifty-year foreign leases of resource lands would be unprecedented in Soviet history, but not impossible—not with Gorbachev. We should begin to think about these lease agreements as possibilities and explore from the standpoint of U.S. policy if they are going to be good news or bad news.

I hope I haven't presented the usual economic proposition that put Don Zagoria to sleep, because Nick Lardy and I wanted to make this an interesting presentation so that we would leave people with the notion that economics is not an entirely dismal science.

GORBACHEV'S POLICY MAY BE PIVOTAL TO SIGNIFICANT COMMERCIAL CHANGE IN NORTHEAST ASIA

(Prepared Paper by John P. Hardt)

Soviet commercial relations with its Asian neighbors, the People's Republic of China, Japan, South Korea, and others have been modest to date. Soviet-Chinese commerce has increased from a relatively low level during recent periods of normalization and may be expected to increase at an accelerated rate after the Summit.[55] Although the relative change in recent years is impressive, the absolute level is modest. Soviet shares of the markets in the PRC, Japan, and South Korea are likely to be quite small under present conditions. A major change in these relations may occur if the political, military and economic constraints controlled by the Soviet Union are relaxed or removed. Mikhail Gorbachev has indicated an interest in developing a new environment in the Pacific. Initiatives open to him to reduce the territorial, military and economic constraints on trade would be consistent with policies he has adopted for other regions including Europe, South and Southeast Asia, and with the domestic reform policy of perestroika.[56]

Japanese and South Korean authorities have indicated that if political constraints on improved relations are removed and the Soviet Union provides an environment for profitable business, then commerce and investment would increase.

Soviet commercial relations with the People's Republic of China may be facilitated by further improvement in the "three conditions" [settlements in Afghanistan, Cambodia, and the reduced military threat on the Soviet-Chinese Border]. Resource-oriented joint ventures with developed Asian industrial economies and improvement in infrastructure associated special economic zones such as Nakhodka would improve prospects for profitable Soviet-PRC commerce.

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[55] See Lardy paper in this panel.

[56] The views expressed herein were tested in discussions in Moscow, Seoul, Tokyo and Geneva in 1988–1989. See also the Ellison paper in this panel.

There is a precedent for removal of political and security constraints on trade in Soviet policy in Europe through discussions of a "European House" and acceptance of deep verification and inspection in arms control. The Soviet Union has especially removed political constraints and improved prospects of profit for the Federal Republic of Germany. This application of "new thinking" in foreign policy and a new foreign economic strategy has been promised for Asia. There are some signs of increasing probability of improvement by the Soviet leader of the environment for commerce.

Prospects for Improved Political Military Climate for Soviet Commercial Relations With the Asian Developed Economies and the PRC

If political and security constraints to normal relations are significantly reduced, the positive steps toward normal commercial relations will thereafter be facilitated in Soviet relations with Japan, South Korea and the PRC. The criteria for serious progress in each case could be engagement of an agreed step-by-step process:

Northern Territories: Hiroshi Kimura suggests what he calls the "Hong Kong formula", i.e., "the combination of return of two islands upon the conclusion of a peace treaty and return of the remaining two by a definite deadline, say 1999—would also be good enough for Japan." [57]

This formula might be attractive to the Soviet Union if no other claims were made or opened for future negotiation and Soviet government and citizens were given a graceful exit. Kimura further notes that:

> Japan could sign a long-term economic cooperation agreement with the USSR—following the example set by many West European countries—to facilitate more active trade and economic intercourse. The Japanese Export-Import Bank, a semi-governmental bank, could agree to loan huge amounts of long-term bank credit at low interest rates. With the official blessing of the Japanese government, private business in Japan could positively participate in joint ventures with the Soviets. Taken together, the chances are that Soviet-Japanese economic relations could be improved to the level of Sino-Japanese relations, which are now (in terms of the total trade in U.S. dollars) three times bigger than the former.[58]

Korean Peninsula: Soviet and East European country recognition of South Korea informally by the USSR and diplomatically by Hungary helps raise prospects of stability. Provision of the good offices of the Soviet Union for developing a peaceful Korean dialogue would be helpful.[59]

Three Obstacles: Progress on withdrawal from Afghanistan, peaceful return of Cambodia to domestic rule and reduction of mili-

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[57] Hiroshi Kimura, "The Soviet-Japanese Territorial Dispute," *Harriman Forum*, Volume 2, Number 6, June 1989.

[58] Ibid.

[59] V.K. Park, "Korea's Trade With PRC and other Communist Countries, Businessman's View," Seoul, Korea, July 12, 1988.

tary forces in the China border are all under way. Serious negotiations on major troop reductions could be a further step. This could parallel Soviet European policy—an Asian version of the European conventional reduction talks (Conventional Forces Asia (CAFA to mirror CAFE).

A New Soviet Commercial Strategy for Asia

The response of Western Europe, especially the Federal Republic of Germany (FRG), to new Soviet military policy including deep arms reductions, a new regional policy opening up relations between Eastern and Western Europe and to perestroika has been to develop new, more normalized commercial relations.

The Treaty between the Federal Republic of Germany and the U.S.S.R. concerning commercial promotion and joint guarantee of capital investment signed at the Bonn Summit in June 1989 sets a favorable environment for profitability of Western partners. Specifically, it provides for,

> "comprehensive transfer, in convertible currency, of all existing payments relating to capital investment. This comprises without exception all revenue (profits, dividends, interest, licensing and other fees) as well as loan repayments, proceeds from liquidation and also appropriation compensation. Payments are to be made no later than 3 months after application and at the rate of exchange prevailing on the day of transfer."

That is, all rubles made on the domestic market can, upon demand of the investor, be exchanged and transferred in any freely convertible currency. Furthermore, the same is true if assets are expropriated or nationalized.[60]

The European Community is providing attractive bilateral agreements, beginning with Hungary, to normalize relations. Some East European countries such as Poland and Hungary are even interested in joining the European Community, or EFTA.

Asian countries also seem prepared to offer the Soviet Union more normalized commercial relations with comparable political and security changes made. Still, even with an improved political climate, it should be underlined that commercial exchange must also be profitable to the Western and Eastern partners alike to justify substantially expanding commerce and investment. The new Soviet commercial strategy must also facilitate and draw from domestic progress in perestroika. This is a priority concern. A Soviet policy of openness is now proceeding to meet some commercial requirements of Asian partners. The new Soviet commercial strategy draws lessons from the successful export-oriented Asian models of Japan and the Newly Industrialized Countries.

The negative model of the past is Brezhnev's commercial detente: import substitution of materials and food, turnkey technology for large scale projects and no reform in the domestic industrial and agricultural system. Gorbachev reforms refer to habitual reliance on import substitution, e.g., grain imports to meet domestic shortfalls, as analogous to a "drug habit"; the inefficient supply system

[60] Text of Soviet-Federal Republic Treaty of June 1989.

of Soviet agriculture was perpetuated through grain imports by sustaining the illusion of adequacy. Likewise, technological imports without reform in the system brought some modest improvements in domestic products, e.g., the Soviet Fiat model car, the LADA, was an improvement in domestic transport, but did not permit significantly entering the global manufactured goods trade.

The oil hard currency windfall of the 1970s was wasted as domestic subsidies supported inefficient producers. So the Brezhnev heritage was a foreign commerce policy restricted by reduced oil income and a heavy domestic debt which limited the prospects of the price reform necessary for improved efficiency and competitiveness in trade.

The Asian models of Japan, South Korea and the other Newly Developed Economies stressed development of a domestic market economy guided toward export orientation to the world market. Soviets can not and need not adopt the full Japanese model because they have a large domestic market and are rich in natural resources. The new Soviet commercial strategy for Asia may be headed toward a model conducive to large scale foreign involvement in their economy based on improving the prospects of profitability to Western partners. Whereas the orientation toward the Federal Republic of Germany and other West European countries, the joint ventures and economic zones such as the soon to be initiated Special Economic Zone (SEZ) near Viborg (North of Leningrad) with emphasis on industrial production; the expected SEZ in Nakhodka in the Far East would be more oriented to developing the rich resource base of East Siberia and the Far East.

The United States through joint ventures such as those under the American Trade Consortium may bridge both manufacturing and resource development projects.

A key Soviet import strategy does reflect current priorities of food processing, medical supplies and equipment, and housing, with a long-term focus on imports that improve efficiency in material output (the materials chain) and provide entry into the world machinery market (automobiles).

The experience of Japan and South Korea suggests that imports be keyed to development needs; imports that generate increasing domestic incentives and hard currency earnings in the short and long-term. In consumer goods, imports of machinery and technology are especially important, not just products; capital and technology imports to permit and improve the efficiency of extraction and marketing of Siberian natural resource riches, quality control and a simulated Western environment appear to be needed for the USSR to enter the global manufactured goods market. This approach may be likened to the role of MITI and its Korean counterparts in their takeoff stage of development.

A flexible balance of payments policy using all the techniques newly industrializing countries employ. Specifically, the Soviet Union may well need to run balance-of-payments deficits in the near term in order to shift its production possibilities curve to a higher plane. Investment in modernization of the economy will result in higher productivity and competitive goods in the future, which may be exported to reduce the debts incurred in growth. They must not follow the Polish and Yugoslav examples of accumu-

lating debt for meeting short term balance of payments and consumption support needs.[61]

A flexible balance of payments policy would involve some of the following:

- Encouragement of direct investment, characteristically through joint ventures that would increase hard currency income from sale of energy, metal, and timber products in the world market. The Chevron oil field joint venture and Western joint ventures in petrochemicals may increase the efficiency of the energy chain and release more oil output for export. The Asian involvement would be more keyed to resource-rich land leasing and development of natural resources under a much more liberal policy than has been the case in the past.
- A prudent credit policy would be tied to joint ventures and prospects of domestic modernization and growth of hard currency earnings.
- A general assessment of all categories in the hard currency balance, see below, with a view to obtaining more hard currency to pay for technology related imports to facilitate improvement in the quality of domestic output and increase competitive exports to the world market.
- The establishment of foreign commerce zones, that is, sectoral or special regional zones, to foster the rapid development of a new export-import culture. Examples now being discussed are the following:

[61] Substantial imports of grain in 1989 and projected gold sales to import food and consumer goods is an ominous setback to this policy, dictated by a short term need to show results from perestroika to meet citizens' unrest. Some of these short term imports may result from response to coal miners' demand for more consumer goods.

USSR ESTIMATED HARD CURRENCY BALANCE OF PAYMENTS

(Million current U.S. dollars)

	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988 [1]
Current account balance	−4,565	1,470	−387	4,293	4,760	4,664	137	1,376	5,073	1,400
Merchandise trade balance	−4,804	1,814	365	4,468	4,712	4,727	519	2,013	6,164	2,700
Exports f.o.b.	9,453	27,874	28,254	31,975	32,429	32,173	26,400	25,111	29,092	30,000
Imports f.o.b.	14,257	26,060	27,889	27,507	27,717	27,446	25,881	23,098	22,928	27,300
Net interest	−521	−1,234	−1,752	−1,275	−1,052	−1,163	−1,482	−1,737	−2,191	−2,400
Other invisibles and transfers	760	890	1,000	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Capital accounting balance	6,981	284	5,430	−2,965	−1,541	−124	1,869	1,966	−1,017	1,710
Change in gross debt [2]	6,786	−792	1,977	−640	116	224	6,804	6,983	4,768	860
Official debt	1,492	−280	−1,370	967	340	−375	463	563	561	190
Commercial debt	5,294	−512	3,347	−1,607	−224	599	6,340	6,420	4,207	670
Net change in assets held in Western banks [3]	−163	−35	−166	2,122	277	−664	1,787	1,595	−527	20
Estimated exchange rate effect	*−22*	*−411*	*−1,457*	*−817*	*−1,070*	*−688*	3,248	3,322	5,012	−2,570
Net credits to LDCs	715	950	870	2,120	3,200	2,700	1,700	4,100	4,800	5,500
Gold sales	725	1,580	2,700	1,100	750	1,000	1,800	4,000	3,500	3,800
Net errors and omissions [4]	−2,416	−1,754	−5,043	−1,328	−3,219	−4,540	−2,006	−3,342	−4,057	−3,110

[1] Preliminary.
[2] Including additions to short-term debt.
[3] A minus sign signifies a decline in the value of assets.
[4] Includes hard currency assistance to and trade with Communist countries, credits to developed Western countries to finance sales of oil, other unspecified hard currency expenditures, as well as errors and omissions in other line items of the accounts.

Source: Testimony of CIA-DIA to Joint Economic Committee, April, 1989

A special zone near *Nakhodka* or *Vladivostok* that might be developed by Seizo Ota, President of Tokyo Mutual Life Insurance Company who suggested about four billion dollars was available for investment.[62] The Republic of Korea has trade representative offices in the Far East. The Asian zones might parallel a special zone near Leningrad in the Viborg area of Karelia (near the Finnish border). Each would be entrepot developments to draw on the resources of the hinterland; in Nakhodka or Vladivostok the rich natural resources of the Far East and East Siberia; tourism could also be facilitated. The Leningrad SEZ could lead to development of under-utilized Soviet research and development. *Khabarovsk* may be another economic zone with potential involvement from Japan, South Korea, and the PRC. Patrizansk, Pogranichny and Khazan districts have been discussed as special zones but are still restricted areas. The Soviet city of Blagoveshchensk has had workers from the Chinese city of Heihe in Heilongjiang province during 1988 and could be expanded to an economic zone. In the period before the Sino-Soviet Summit, large numbers of Soviet visitors to Shenzhen, the Chinese economic zone nearest to Hong Kong, suggest some parallel with that Chinese SEZ in the Soviet Far East.[63]

Soviet joint venture laws have answered many of the criticisms of Western partners in Chinese special zones: labor and local supplies can be controlled and paid for by the Western partner, the domestic market profits may be repatriated in hard currency not earned in third countries.

Transition Toward Eventual Convertibility of the Ruble as the basis for establishing a real exchange rate and a tariff system in line with international standards will be necessary. This will become increasingly important for the Soviet Union's future export strategy—without convertible currency, even the expansion of joint ventures may well be curtailed due to the inability of Western firms to repatriate profits.

The first step in joint venture and commercial relations is to allow profits from sale in the Soviet domestic market to be repatriated to Western partner countries at an agreed rate of exchange. As the value of the ruble is not predictable, some artificial rate that would provide a reasonable basis for estimating repatriable profit could be negotiated.

There are a number of Soviet proposals toward convertibility, a dual currency system for example, sector by sector convertibility. A uniform convertible system is, in any event, a long way off. In the interim some combination of goods convertibility (countertrade or supply of hard goods such as oil) and credit might facilitate development of a profitable environment.

Integration Into the International Economic System

Adherence to international agreements covering trade protection and intellectual property rights would be helpful. Narrowing the function of espionage agencies to normal military espionage would be likewise a step forward.

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[62] From discussions in Tokyo. See also: Wall Street Journal, May 3, 1989, p. A14.

[63] Cf. "Glasnost's Asian Frontier, Gorbachev's Benign Look—East Policy Aqueous Substance," *Far Eastern Economic Review*, August 4, 1988, pp. 24-29.

Domestic success in implementing market-oriented reforms should be the major criterion for the normalization of trade, finance and investment and the basis for acceptance within the international economy. As socialist countries move toward meeting the rules and criterion for market-oriented trade, they should be encouraged to initiate relations of an institutional character with international organizations. Increased information exchange and technical assistance from such organizations as the International Monetary Fund and the World Bank could be utilized to further this process. This progress toward integration could be assessed and adjustments made on the basis of progress. Professional assistance from such organizations as the World Bank could be utilized to further this process. An initial, technical and informal consultative period could be a useful first step toward eventual membership.

In each case the partners would also want assurance of profitable commercial arrangements. New Soviet commercial strategy applying their European policy parallels on Joint Ventures and Direct Investment to Asia would open the door.

Joint Ventures: Political, economic and social considerations limit the scope of joint ventures between the USSR, China, North Korea and other Western economies. Assuring control of quality, management and supply require more than special zones; a special "commerce friendly" culture is needed. Special management schools and exchanges with Western countries might be arranged. Specific training in open market procedures might be a part of joint ventures. Selected steps in *convertibility of currency* would be useful, and probably critical, in arrangements for profit repatriation in hard currency for joint ventures; special contractual arrangements may permit conversion of profits on domestic Eastern market to convertible currency on a case-by-case basis. Use of convertible currency auctions such as instituted in Poland and undertaken on a limited basis for the USSR may be helpful as a transitional mechanism.

Direct investment may be permitted, even encouraged by the Soviet government in some special economic zones, as well as long-term lease of areas in natural resources development projects providing for foreign rights to develop, manage and market, e.g.:

- Products from East Siberian timber tracts for pulp production, or other marketable resources.
- In developing joint ventures and special economic zones a single country and/or Western multinational corporations may be the developer of a harbor area and its hinterland.
- Broadened developments may include joint ventures involving the energy chain from exploration to marketing of refined products and byproducts.
- Joint Western-Soviet exploration and assessment of profitability of developing various resource potential areas might be modeled on the Urengoi gas assessment undertaken by the U.S.-Japan and the USSR in the 1970s as a point of departure. Then bids for foreign development on long term leases with priority on maintenance of environment standards would be in

order. The new lease law of the USSR is now being extended to foreign entities.

- Joint Soviet Western scientific and technological assessments might be a basis of development plans for commitments to underdeveloped but competitive Soviet industrial capability through joint ventures. These could be considered with the development planned by the Soviets for the special economic zones near Leningrad and Nakhodka.

Further assurances on issues that effect Asian security and stability would facilitate a process of economic normalization. The Soviets have a trade surplus with the PRC but could expand their trade if Soviet goods were more accessible, if Siberian natural resources were being developed and if the expansion of Soviet imports required more industrial production to balance trade (e.g., investment to moderately modernized plants built by the USSR in the PRC during the 1950s). PRC-USSR trade, e.g., timber for consumer goods, may be facilitated by Japanese or Korean commercial ties in direct investment (harbors and transport) and joint ventures. Indeed, without access between the PRC and the USSR through improved facilities in each country's infrastructure by investment of Japan and South Korea, commerce will be restricted.

With new foreign and security policies less threatening and more stable, a commercially oriented Soviet Siberia and the PRC might be welcomed into the Asian NIE (Newly Industrialized Economies) commercial community. The substantial financial and technological resources of Japan and South Korea might profitably be invested by these open developed commercial countries. Constraints on Japanese and South Korean trade with the PRC in the wake of Tiananmen Square are likely but difficult to measure at this time. Soviet constraints for the same reason are even more difficult to calibrate. It is even possible that the Soviet policy may be favorable to increased trade with the PRC if the Soviets deem political advantage for running counter to Western governmental policy may be in their self interest. [end of prepared paper]

Dr. Ross. A question for John Hardt. I understand—and I'm not really sure how reliable this is—that the proposition is that if the Soviets offered Tokyo something attractive in Siberia, the Japanese would respond. Is there indeed a major oil field which the Soviets are very anxious to tap and to exploit and only the Japanese can help them?

Dr. HARDT. In East Siberia? I don't think so, no.

Dr. ROSS. Natural gas?

Dr. HARDT. Natural gas, yes. Yakutia natural gas has long been a development possibility.

Dr. ROSS. Is that an attractive . . .

Dr. HARDT. I would not put natural gas at the top of the list. That is why I suggested pulp as a better example. Yakutia gas would require a long pipeline. If we're talking about $35 a barrel oil, I've got some gas for you, but not at $20. Gas was a commercial possibility back when we were looking at it in the 1970s, but not right now.

In fact, one could use Allen Whiting's book for references on this issue.

Dr. GELMAN. I like your view on this. My sense has been that at least until recently, and maybe still, in addition to all the other problems in getting big Japanese investment to exploit Soviet natural resources ever since the fiasco over the abortive Tumen deal of the mid-70s, the Japanese have wanted to get assurance by having American participation along with them. Is that still the case?

Dr. HARDT. Absolutely.

Dr. GELMAN. So in this sense American policy really has a sort of final veto upon the degree of foreign . . .

Dr. HARDT. That might be a strong way of putting it, but I would certainly say that both for Japan and South Korea, if the U.S. were participating this would be a positive factor. This is also true for the Federal Republic of Germany.

Dr. GELMAN. My own view is that it's less so for Germany than for either Korea or Japan. It's a matter of degree.

Dr. HARDT. Maybe so, but I think in every case it would be a positive factor. They would each like to think of it as a positive factor, but they're more competitive; therefore they'll get the lion's share. But nonetheless, if the U.S. is moving toward development it would facilitate commerce.

Dr. GELMAN. Contrariwise, if we actively try to dissuade them from doing it, it would be an important negative consideration in addition to whatever . . .

Dr. HARDT. I think it would. It would be one of those things at COCOM (Coordinating Committee on Western exports) pipeline disputes and one should recall the divisive nature of the Western alliance.

Dr. GELMAN. Well, this is important, it seems to me, because in the long run this is something that could be held up to Mr. Gorbachev—as part of the global relationship. The path to Tokyo lies through Washington in this sense.

Dr. WHITING. I'd like to dissent if I might. I'm not the Japan specialist that Mr. Endicott is but my sense of what happened with that kind of situation after Afghanistan, with the intervention in the Sakhalins, the proposition was that there was a strong resentment in Japan at listening to our negative admonitions, responding to them, and in some cases finding Europeans coming in and doing what they were prevented from doing. That of course had to do with the West Siberian pipeline.

Some of the things that I'm hearing from Japanese about the FSX (advanced technology fighter aircraft) really are below this question of bargaining and technological change. There are questions being raised about fundamental trust, fundamental compliance with a relationship that is defined by the United States and not mutually defined.

I think the questions that were raised this morning by Don on the U.S.-Japanese relationship do not give me the confidence that we have over the next decade the lever to go or no-go with respect to the kinds of projects that John's talking about in Siberia. And in any case, if we don't have everybody else in line, and the Japanese see themselves as saying no while somebody else is saying, well maybe we've got some investment, maybe we've got some develop-

ment that we could put into this project— they're not going to hold back because we say we don't want to.

Dr. GELMAN. Right now it's a moot question because it's not economically viable anyway.

Dr. WHITING. Correct. But looking at the scenario that he outlined, I would not give the weight to a U.S. negative posture that you were giving it and I think John was alluding to, because I think we have a dynamic in the U.S.-Japanese relationship that we have to be aware of. It's worse now than it was 10 years ago, if I'm listening to some of the FSX feedback from Japan properly.

I wasn't suggesting a veto, by the way; I was suggesting that it would be an important consideration, and that any of these discussions—I think, Toshiba and the pipeline question would be in their minds.

Now, recall that on the pipeline question it was Sakhalin, it was the oil off Sakhalin that was part of that. In other words, we did extend the extra territorial reach to Sakhalin oil. So the Japanese remember that as well.

Dr. SUTTER. I'd like to look at the issue of exchanges. We really haven't talked about personal exchanges very much, and particularly economically driven exchanges. And what can we look for— I'd like to ask both speakers, what sort of economically driven exchanges can we anticipate over the next few years in Sino-Soviet relations?

I was struck, for example, about the reports of hundreds of Chinese laborers working in Siberia. Clearly you can look at trade figures and say, well it doesn't matter, this isn't very much. Yet if you look at the trade figures with the United States and China, they've grown over the years. But the personal exchanges that have taken place in that same period have been quite important, it seems to me.

Can we look for, in particular, Chinese going to the Soviet Union to learn from the Soviet Union, learn at Soviet universities? Do Soviet universities have the capability of doing that and providing experiences for the Chinese that would be worthwhile from a technical point of view, at least, and from an economic point of view, as far as the Chinese are concerned? Regarding this type of exchange, as well as that of laborers and others, what is their impact on the Sino-Soviet relationship?

Dr. HARDT. The exchanges you talked about in terms of manpower and labor force and so forth would be related to the direct trade with China and the Soviet Union, and presumably are taking place and could increasingly take place.

I would suggest that the level of that will be partly related to how this trade develops. And what I wanted to suggest in that regard was that the trilateral relationship—or quadrilateral relationship—is crucial because their border trade is not nearly as attractive as developing more and developing an infrastructure and using, as Nick pointed out, the water routes in terms of supply.

But in terms of technology transfer, the educational exchange is crucial. And in that sense I would think the exchanges would be more East-West, and the exchanges such as occur in the educational bridge between more advanced countries and less advanced countries. And if that be the case, it would be more the Soviets

coming to the United States and the Chinese coming to the United States and Western Europe and Japan, rather than between the two countries. If educational exchanges are related to technology transfer, I think they have, except in special areas, less to offer each other.

Dr. LARDY. Harry may have more informed views on this than I do, but I do not see a broad-based educational exchange program between China and the Soviet Union moving forward on anything remotely like the scale with the West. But I would say there is at least a potential for a significant amount of technical exchange and training in specific product and technology areas.

For example, the most recent discussion that the Chinese had when the Soviet minister of metallurgy was in China a couple of months ago included a very concrete package of Soviet credits, training, and so forth. I can easily see lots of people that work in various iron and steel works in China going to the Soviet Union for a few months or whatever to get training in the latest metallurgical technology. I don't see 20,000 Chinese students, or anything remotely close to that, undertaking basic education in the Soviet Union.

But there are many areas for technical training programs. But I would think they would be for more in the area of engineering and certain skill areas rather than university-based education.

Dr. HARDT. The energy area in particular—you mentioned nuclear development earlier, nuclear electric power, but also hydro- and electric power networking, where the Soviets are reasonably developed given the Chinese development. And, the Chinese have a critical need for [development] in energy.

Dr. WILHELM. Al Wilhelm, The Atlantic Council. Dr. Lardy, your paper very effectively presents the advantages to Sino-Soviet trade in the barter context, and you show the chart coming up through 1988 as one of expanding trade. But it also is restricted largely through the Manchurian area, across the borders there. My own experience suggests there's a great deal of resentment in some areas of the Chinese economy to what they consider forced issue of inferior quality Soviet goods. An individual unit receives goods from Europe, the United States and the Soviet Union. Items, such as cars, already owned by the unit that are Soviet go to the bottom of the pecking order, and those new incoming Soviet items go to the bottom of the pecking order against new and even some old non-Soviet items.

This suggests to me that the Chinese have used trade as an effective lever in their dealings with the Soviet Union to facilitate change in the relationship. Based on your research and looking forward, what do you predict in terms of Sino-Soviet trade relations in the future?

Dr. LARDY. Just to get you to amplify, do you mean in terms of volume or value terms or—

Dr. WILHELM. Across the board, both in terms of quantity and quality, what kinds of developments, do you see? For example, the composition of trade, where is it going?

Dr. LARDY. Let me begin by making a couple of comments. First of all, you say most of this trade is going through the northeast. Now I'm not sure whether you mean that most of the trade is

border trade or whether almost all the trade goes through there because that's where two rail lines go through. Two of the three existing lines go through the northeast; the third goes through Mongolia. So most of the goods are moving through that area, but they don't originate in that area. The border trade itself, as John has pointed out, is a relatively small proportion of the total. My paper has a figure for the border trade of Heilongjiang Province taken straight out of the government work report. It was 196 million Swiss francs in 1988, which would be something on the order of 125 million U.S. dollars. Heilongjiang accounts for 80–90 percent of Sino-Soviet border trade. Thus, border trade is a small portion of total Sino-Soviet trade.

So it's the overarching bilateral trade and payments agreement that covers most of the trade.

Secondly, as to the relatively low quality of Soviet goods, that certainly is the case for the small portion of manufactured goods that are coming in. But a large portion of what's coming in—I don't have any specific figure, but I would guess it's two-thirds to three-quarters—is raw materials. It's the pulp and paper, and the timber, it's the steel products, and so forth, and relatively standardized commodities. So the quality issue in that range of products is much less important than it is in sophisticated machinery and equipment.

And in some sectors I think Soviet technology is still far ahead of the Chinese.

One thing I don't know is how Soviet goods are priced once they move into the Chinese domestic market. And it may well be that the Chinese price differentials don't adequately reflect the inferior quality of some of these Soviet goods for which there are alternative Western sources of supply.

Only about a half of Chinese trade now is carried out under conditions like Soviet trade; that is, it falls within the plan. About half of it is decentralized and is being undertaken by local governments, enterprises and so forth and is not controlled by the centrally managed foreign trade corporations.

Until the Soviets move ahead so that their foreign trade reform is remotely comparable to the Chinese, I think that trade is going to continue to be carried out primarily in the form of the five year trade and payment agreements with annual agreements specifying the commodities in more detail, and so forth.

And as I say in my paper, while this has certain advantages, it is fairly cumbersome and I think will inhibit the growth of the trade over time.

So I think the major constraint in terms of the mechanism of the trade is going to be the pace of reform on the Soviet side. I'm presuming the Chinese won't completely retrogress, so I think the major constraint is going to be the pace of reform on the Soviet side. If the Soviets don't reform their trading system substantially, it's going to remain this predominantly centrally orchestrated barter trade. If the Soviet trade would begin to follow the Chinese approach, certainly I think the Chinese would be prepared to move ahead in a very much more decentralized fashion, and probably have much more rapid growth of the trade relationship.

Dr. ELLISON. I have one question for Nick and one for John. On the question of the trade figures, Nick, you referred a couple of times to how very impressive and rapid was the growth of trade. Couldn't a contrary case be made that it started from such a very low level that multiples aren't all that impressive, and in fact it stalled out rather badly in '86–'87; it has come up in '88. But the overall figures, the actual total volume, remains exceedingly small given the size of the two countries and the two economies.

And then the second point, you referred to a remark this morning—I don't know whether I'd made it or someone else had—about the limits set by barter, and said that barter was in fact advantageous in certain respects for the two sides. But isn't it also a severely limiting factor? And I wondered if you hadn't in mind when you said a reform of the trade system that until they get some other basis than chiefly barter they haven't got great prospects.

One of the things that struck Bob and me in some recent conversations when we asked about these 17 projects and why they'd not got along as far as expected, was the comment—and you referred to part of it—that the Chinese managers of these particular industries weren't at all interested in the Soviet technology. They were dragging their feet. They didn't want the Soviets coming in and updating them to the Soviet standard. They'd rather wait until they could get Western technology.

And they referred to that; they also referred to the cheating that's done in these barter arrangements, where people are very eager to keep the level of trade to their own advantage, both the quality of the goods and to avoid indebtedness, and they referred repeatedly to the limits that were placed on it.

My question of John, very briefly, is I share, as you well know, your enthusiasm for Gorbachev. And I think the point you emphasize, that his talent for pushing a project systematically, the way he did, for example, the old question of how you change the composition of the Central Committee between Congresses—he's had about five formulae for that, one of which he finally worked out very smartly recently, and on a whole series of projects like agriculture he's moved ahead, so maybe he'll come up with something for an arrangement comparable to your pulp mill—but wouldn't that project also be stymied by the transportation bottleneck? Or are you thinking of some kind of project which would be a whole package—

Dr. HARDT. The whole package.

Dr. ELLISON. —not only the pulp mill, but the railroad connections and the whole business?

Dr. HARDT. The infrastructure. That's right. That part goes back to the '75 arrangement where the Japanese did provide infrastructure. They even provided the theaters and stores and so forth. And that's one of the things the Soviets objected to. But if the deal is good enough, if it's attractive enough, then they would do it. In fact, they'd rather do it so they could count on the thing being done right, which is another reservation they have.

Dr. LARDY. Just let me respond quickly to your two points. I must say, obviously you can slice these numbers in different ways. And in part the rapid growth is a function of the relatively low base from which the trade began, and it is a relatively small por-

tion of the total trade of either country. That is true. But on the other hand, for China at least, it's the fifth largest trade relationship they have. So in the overall scheme of things, the numbers are relatively small but yet in terms of a bilateral trade relationship it's relatively important.

In terms of specifically why there was a stallout in the trade growth in '87, I am told—I don't know whether or not this is true—that this is largely a function of declining world prices in some of the commodities that are covered in the bilateral trade agreements. In other words, they come up with lists of commodities at the beginning of the year which they're going to barter. Then, if at the end of the year the world prices turn out to be lower than they were at the beginning of the year, you may have an increase in the physical quantity of goods exchanged. But if world prices go down, the reported value of the figures declines. Petroleum's not in this trade, so I don't know which commodities these were. But, I am told that was the reason that there was a dip was in 1987. You see in 1988 it's back in a rather fast pace of growth, whether you're comparing it with 1987 or 1986.

Now the question of whether barter is an advantage or a disadvantage, I guess, again, it's a matter of where you look at it. And as I already indicated in response to the previous question, I think if the Soviets would reform their system and they'd have trade on other than a barter basis, in the long run it might be a significant impetus to a more fully developed trade relationship.

But I think in the short run that there are substantial advantages to barter, particularly for the Soviet side, but even to some degree for the Chinese side.

I know you talk to people in China and they're always complaining about one thing or another, and I guess some of the Soviets complain about some of the Chinese goods, and this is sort of the way things go. But I just pull out table one and say, well, you've got all these problems but it's still moving along.

In the long run, of course, more decentralized form of exchange would be highly advantageous to developing the trade relationship. But in the short run, particularly when the Soviet system is relatively less reformed, it's an advantage, or it has some advantages, let me put it that way.

Dr. LARDY. I want to ask John one question, and that is I was very much with you about the question of how the Soviets must have a sufficient degree of domestic economic reform to make this international participation worth the game. But then when you came to your concrete example you picked timber resources, which is a perfect example of a way the Soviets could participate in international trade in one of these large-scale agreements on a 50-year concession with some big companies coming in, in which they would not have to reform their system one iota to participate. I mean, if you're going to sell your logs and if you need foreign capital to put in the infrastructure and some Chinese manpower to come up and cut the trees and some Western company to help market the products internationally, then the Soviets can have the hard currency rolling in and they need not change their system at all.

So when you got to your concrete example—

Dr. HARDT. That's an anomaly and I'm glad you asked that question, because there is a parallel between the American trade consortium and its financing and this kind of an arrangement. Namely, in the American trade consortium the money supply comes from Chevron's oil project. They are going to produce more oil and the Soviets are going to finance the other activities in the consortia of joint ventures by sale of additional oil.

What they do with their additional hard currency income by these natural resource developments will be related to domestic reform. But I think in the short term they are going to have to have some lead sectors where they can earn hard currency or go into credit terms, which is what they're doing with the Germans.

It's not an ideal arrangement, but it's a practical way.

Ms. DUMBAUGH. I think I'm going to have to ask the economists to battle over these thorny economic questions during the coffee break. [laughter] And if we could just take a brief five minute break, we can come back then for our last speaker, Harry Harding, who will tell us what all this means for the United States.

[Whereupon a brief recess was taken.]

Ms. DUMBAUGH. I'd like to just begin our final event of this workshop, and introduce without any further ado Harry Harding who is a Senior Fellow in Foreign Policy Studies Program at the Brookings Institution, well-known China spokesman around town and the globe and the country. And Harry's task is to, first of all, tell us what we all said and synthesize these diverse opinions from these excellent papers and presentations and discussions; and second, to give us some idea for a final discussion on what it means for the United States and for U.S. policy. Dr. Harding.

STATEMENT OF HARRY HARDING, SENIOR FELLOW, BROOKINGS INSTITUTION

IMPLICATIONS FOR U.S. POLICY

Dr. HARDING. I will try my best. And that's not as daunting a task as it might seem, because the papers were very well designed to lay out the major issues, and the discussion then clarified and elaborated the themes contained in the papers. Moreover, although there was some difference of opinion, I don't believe the divergence was that great. There was a fair amount of consensus on the likely dynamics of Sino-Soviet relations and the implications for the United States.

I'm going to lay out a summary of today's discussion, inserting my own views occasionally, but mainly trying to review what I heard from the rest of you this morning and earlier this afternoon.

I'm going to structure my remarks primarily around the format of Don Zagoria's paper because, as is so often the case, it raised exactly the right questions. (As is also the case, I found that he also gave the answers that I would have given. I suppose we could just simply suggest that you read Don's paper and we can all go home, but I still have to fulfill my obligations.) Those questions are: why has there been a normalization of Sino-Soviet relations, what are the prospects for Sino-Soviet relations, and what are the implications for the United States and for American policy?

Why did Sino-Soviet relations improve over the last several years to the point that we now see Mr. Gorbachev in Peking? I don't think that there was a great deal of difference of opinion on this subject expressed at the meeting, and indeed the issue did not get that much attention today. This is because we all assume that we know and agree on what the answers to that question would be.

A first explanation is that both sides perceive much less threat from the other today than they did 10 or 20 years ago. And that is partly because of the congruence of the domestic agendas of the two societies. These are both large communist powers that are preoccupied with the problems of domestic economic reform. There is a growing awareness that they are engaged in a common enterprise and can to some degree learn from each other. And there is a common awareness that preoccupation with a very complicated domestic reform agenda means that neither side, at least for the next decade or so, will have the wherewithal to pose a major security challenge directly to the other.

A second, related explanation is to be found in the lower cost and increased benefit that both sides believe that they can obtain from improving their bilateral relations. They enjoy lower cost in that they are able to reduce tensions and possibly the level of military deployments along their common frontier; and they gain increased benefits from the various economic, cultural, and scientific and technological exchanges that we mentioned just a few minutes ago.

But, there is still a third explanation that I think is particularly important. China and the Soviet Union have pursued a reduction of tensions and now the normalization of their relationship, in part to gain leverage over the United States in particular and perhaps the West in general, even as they seek, as Banning Garrett put it, to join the Western international political economy.

Let me emphasize this point by putting it slightly differently. China and the Soviet Union are not attempting to come together to oppose the Western political and economic system as they did in the 1950s. But at the same time they are not passively seeking to join the Western political economy solely on American terms. Rather, they are attempting to gain the maximum amount of leverage so that they can make the best of what is, objectively speaking, a relatively poor hand. They realize that improved relations with each other gives them a flexibility and leverage in dealing with the United States and the West that they otherwise would lack. This is an important point which should influence our assessment of the implications for the United States of the improvement in Sino-Soviet relations.

The second broad issue is where Sino-Soviet relations go from here.

There was agreement on many of the factors that will continue to constrain the improvement of Sino-Soviet relations. Let me tick them off very briefly.

First of all, as several people said—I think that Bob Ross coined the phrase in the first place—the Sino-Soviet rivalry is not dead. There will continue to be jockeying for position, perhaps to some degree with regard to deployments along the border, but most certainly with regard to geopolitical positions throughout the rest of East and South Asia.

Secondly, neither the Chinese nor the Russians will want, for the foreseeable future, to antagonize the West. As I have just suggested, they may want to gain greater leverage and flexibility with regard to the West, but this is because they want to join the international political economy dominated by the West. This means that both countries will be very aware of the price that they might pay, especially in terms of their relationships with the United States, if they were to seek or obtain a relationship with the other that excessively threatened Western interests.

Thirdly, over the last couple of hours we have discussed the internal economic and structural constraints in both China and the Soviet Union that will limit various kinds of bilateral cooperation. We talked about the ways in which financial constraints in China would restrict the import of Soviet military technology. We noted the economic constraints that restrict the Soviet Union's ability to transfer large amounts of technology, or perhaps even raw materials, to China. We pointed to the infrastructural constraints that will limit the economic and academic exchanges between the two countries. Obviously, the process of economic reform in China and the Soviet Union will gradually remove, or at least reduce, some of these constraints. But that process is likely to be a protracted one.

Finally, I think it was Harry Gelman who pointed out that one of the further limits to an improved Sino-Soviet relationship is the way in which the Soviet deployments in East Asia directed against China are inherently intertwined with those directed against the United States and Japan.

Because of this, it is extremely difficult for the Soviet Union to reduce its military threat to China without at the same time weakening its position vis-a-vis the United States and Japan. In other words, Soviet forces in Asia have a variety of roles and missions, and Soviet geopolitical strategy in East Asia is directed against a number of rivals. This makes it difficult for the Soviet Union to make concessions to the Chinese without reducing their position against the United States and Japan.

Despite these limits, our forecast was for a further improvement and development of Sino-Soviet relations over the rest of the century.

Allen Whiting raised the question as to whether this should be regarded as quantitative change or qualitative change. And he concluded that the most likely prospect would be simply for quantitative change. I'm not sure that I would completely agree with that forecast. My own assessment would be that we may see some limited qualitative change in several areas. But, since the distinction between quantitative and qualitative is not always clear, perhaps Allen and I may not have as much disagreement as this overall characterization might suggest.

Let me suggest some of the areas in which I would not be surprised to see some limited qualitative change in Sino-Soviet relations over the next 10 years.

In the economic area, for example, we could begin to see the development of a number of joint ventures between China and the Soviet Union. Some of these may take on a multilateral dimension, basically along the lines that Nick and John have mentioned; a combination of Korean and Japanese technology, Japanese,

Korean, and even some American capital, Chinese labor, and Soviet raw materials. This would, I think, be a qualitative development above and beyond the kinds of trade and technology exchanges that Nick has mentioned in his paper.

Secondly, in the military area, the consensus was that there would be very serious constraints on a military relationship between the two countries. Nonetheless, as June Dreyer pointed out, military ties between the two countries are presently so minimal that any kind of development would necessarily represent qualitative change. The development of contacts between the two military establishments beyond the routine exchange of attaches, coupled with the transfer of some kinds of military-related technology, was a base-line scenario that emerged from the discussion this afternoon.

Thirdly, there is the question of the border. We didn't talk about this issue that much, but I would not at all be surprised to see a comprehensive border settlement between the two countries within the next 10 years. That would clearly be a major qualitative change in the relationship in that it would presumably remove one of the major factors contributing to the Sino-Soviet dispute.

And finally, I would like to suggest that at some point in the next 10 years the Chinese are going to be willing to agree with the Soviet Union that they do have common or parallel positions on major international issues. Thus far the Chinese have had a rather unbalanced version of an independent foreign policy. They have been willing to express both agreement and disagreement with the United States on various international issues, but only disagreement with the Soviet Union. I think that asymmetry is going to be removed in the next 10 years. It will not be removed in any significant way during the Gorbachev visit, because the Chinese would like to move slowly down that particular road. But at some point in the next 10 years I think that the Chinese will begin to acknowledge areas of agreement with the Soviet Union on both global and regional issues. And that would also mark a significant qualitative change in Sino-Soviet relations.

Now if this was the sort of consensus base-line scenario that emerged from our discussions, what might be the contingencies that would permit Sino-Soviet relations to develop beyond that point or that might prevent Sino-Soviet relations from realizing that potential? Let me remind you of some of the factors that were mentioned.

First, what were the contingencies that might lead to a closer Sino-Soviet relationship?

One factor that was mentioned several times was Japan. It was suggested that what might drive the Chinese and the Russians together again would be some kind of common adversary, just as the United States drove them together in the late 1940s and early 1950s. The one conceivable third country that might perform that again would be Japan, but most people would argue that the likelihood of that development is relatively small.

A second contingency is that mentioned by Banning Garrett. Some kind of major economic crisis in the Western international political economy might drive China and the Soviet Union together in an attempt to find some kind of common solution to the econom-

ic constraints that such a collapse would have on their own development plans and programs.

And then thirdly, if both countries had difficulties in reform and began to retrogress at about the same time, that also, through a complicated set of mechanisms, might incline them a little bit more toward each other and a little bit away from the West. On this point, however, I sensed some disagreement between Don Zagoria and Allen Whiting over how much impact the collapse of reform would have on Chinese foreign policy.

On the negative side, we also identified some contingencies that might further constrain Sino-Soviet relations.

First of all, picking up on the point that the geopolitical rivalry between China and the Soviet Union is not dead, a major constraining factor would be the intensification of that rivalry, perhaps involving some third nation that one or the other regards as a client state. For example, an intensification of the Sino-Vietnamese dispute, re-emergence of some kind of Sino-Indian conflict, or possibly, although I think not very likely, some kind of reassertion of Chinese claims over Mongolia would certainly be a very serious complicating factor in Sino-Soviet relations. More generally, the gradual rise of Chinese power in East Asia along the southern Soviet frontier could in general terms become a challenge to Sino-Soviet relations that could produce some tensions from time to time.

A second negative contingency identified by Herb Ellison was some kind of Soviet intervention in eastern Europe to prevent the further fragmentation of the socialist bloc. Since that was a major cause of Chinese concern in the late 1960s, presumably a reassertion of the Brezhnev Doctrine by Mr. Gorbachev would be of concern to Peking once again. Still, one must ask how likely such a development would be.

And finally, I would suggest that Sino-Soviet relations would suffer if one country were to turn away from reform while the other kept going. Given the extent to which there is a degree of mutual emulation at the present stage, one wonders whether a divergence of one country from the path of reform might have some repercussions for their mutual relationship. If, for example, the Chinese now were to try to repress political dissent, this might conceivably involve some explicit condemnations of *glasnost* in the Soviet Union and political pluralization in eastern Europe. If so, those criticisms of Soviet domestic affairs might begin to spill over into Sino-Soviet diplomatic relations.

In general, however, what struck me about our projections of the future of Sino-Soviet relations was the bounded character of our forecasts. The most likely outcome was what I've described as limited qualitative change. Although we identified some contingencies that could alter our forecasts, their likelihood is relatively low, and their impact on Sino-Soviet relations was also seen as being relatively small.

The last question concerns the implications of the normalization of Sino-Soviet relations, for the United States, but also for some other countries as well. In doing so, however, I want to focus specifically on the implications of the improvement in Sino-Soviet relations. Many times today our discussion has, quite usefully, moved

on to the broader question of the implications of the broader Soviet foreign policies under Gorbachev and Chinese foreign policies in the post-Mao era that have contributed to the improvement of Sino-Soviet relations. That's a much broader question which I won't consider here. Instead, I will speak about the implications of the present state of Sino-Soviet relations and its likely development.

First of all, the implications for other countries. Let me mention simply two categories here.

First, Japan. I think there was a consensus that the country allied with the United States that may feel the greatest immediate impact here from the normalization of Sino-Soviet relations is Japan. This is because Japan's own relations with the Soviet Union are relatively frozen, while their ties with China remain strained. Someone pointed out today that the United States would be much more concerned about the improvement in Sino-Soviet relations if our own relations with both countries weren't relatively good. And, of course, Japan finds itself in just that situation. Their relations with China are reasonably good but are strained just below the surface, and their relations with the Soviet Union are not good at all. There will therefore be some pressure on Japan to try to resolve this imbalance by improving their ties with Moscow. But, this will pose some very difficult choices about how many concessions they should demand and how many compromises they should make in order to break the logjam in Soviet-Japanese relations.

The second set of countries that are going to be presented with some challenges by the normalization of Sino-Soviet relations are the various Soviet client states in Asia. Many of them forged close relations with the Soviet Union in order to enhance their security against China, including India, Vietnam, and Mongolia. The other, North Korea, has been more concerned about Japan and the United States. But all of them are now going to be worried about their declining leverage over the Soviet Union (and, in the case of Korea, over China as well) as a result of the normalization of Sino-Soviet relations. This may incline them in many cases to improve their relations with the United States and Japan as a way of regaining the flexibility and security which they, at least at the margin, have lost.

What are the implications for the United States? It's logical that a relatively bounded forecast suggests relatively bounded implications.

There are some pluses in the present situation for the United States, but I didn't hear anybody suggest that the normalization of Sino-Soviet relations would be a panacea for American strategic or diplomatic problems in Asia.

To be sure, the reduction of Sino-Soviet tensions could promote further a reduction of tensions on the Korean peninsula. The improvement of Sino-Soviet ties already produced a payoff in Indochina, in that we are now, as Bob Ross said, near the "end game" in the negotiations over the future of Cambodia. And there was a sense that a reduction of Sino-Soviet tensions increases the prospects for arms control agreements, at least in the northwest Pacific if not in East Asia more broadly.

But, we also agreed that there remain many obstacles to achieving these results, largely because China and the Soviet Union and their mutual relationships are not the only factors involved in these issues. This is particularly evident with regard to the Korean peninsula, but it's also true of Indochina and arms control issues as well.

Conversely, although the new Sino-Soviet relationship poses some risks for the United States, no one argued that it represented an immediate crisis for American foreign policy.

One set of risks emerges directly from the improvement in Sino-Soviet relations. We have already discussed the ways in which the resumption of Sino-Soviet military cooperation could have some negative consequences for American foreign policy. We also noted that Chinese acceptance of the principle of mutual and balanced force reductions along the Sino-Soviet frontier could create an embarrassing and undesirable precedent for NATO. And more generally, as I've already suggested, the prospect that the Chinese will begin over time to acknowledge common positions with the Soviet Union on a number of global and regional issues will be an inconvenience at best and an irritant at worst for American diplomacy.

Obviously the degree of risk here depends on the state of U.S.-Soviet relations at that particular time. If U.S.-Soviet relations are pretty good, then whether or not the Chinese begin to take common positions with the Russians will not matter that much. But if Sino-Soviet relations continue to move forward, even though slowly, while Soviet-American relations deteriorate, then common ground between the Chinese and the Russians may seem much more disturbing to us 10 years from now than it does today.

The second area of potential risk concerns U.S.-China bilateral relations. Clearly, one of the most important cornerstones of U.S.-China relations over the last 10 or 20 years has been a shared concern with Soviet expansionism. Given recent changes in Soviet policy, the force of that consideration is now gradually weakening, although it has not been completely eliminated.

What that means in concrete terms is that the contentious issues that have emerged in bilateral Sino-American relations issues, such as human rights, Tibet, Taiwan, and so forth, will no longer be comfortably cushioned by a common concern with the Soviet threat. We are already seeing, for example, the argument that the United States should now raise human rights issues more forcefully with the Chinese precisely because of the normalization of Sino-Soviet relations. Since we no longer need the Chinese against the Russians, and since they're not a reliable factor against the Russians any longer, the argument runs, we should feel free to push them harder on human rights. In the same way, the Chinese may conclude over time that they have more leverage over the United States over issues such as Taiwan because they no longer face such a serious threat from the Soviet Union. They will feel freer to take more assertive positions on issues important to them.

Obviously, the extent of this risk will depend very much on the evolution of these bilateral issues in U.S.-China relations.

Finally, the third risk involves the Asian regional context. I believe it was Al Wilhelm who said, and I would agree with him completely, that the reduction of Sino-Soviet tensions now enables the

Chinese to devote their attention and resources, limited as they are,to other parts of the region. At the same time, other countries in the region, faced with what they regard as a reduced threat from the Soviet Union, will also reassess their security environments. This suggests the possibility that, increasingly, some of our friends will regard the major threats as coming from other of our friends. The Chinese will begin to see their security threats as coming from the Japanese and from the Indians, whereas the ASEAN countries will see their threats as coming from the Chinese. This will pose some dilemmas and challenges for the United States, which will not want to have to make awkward choices among countries with whom it would like to maintain friendly relations.

How concerned should we be about these risks? This question was posed to me in a television interview that Ray Cline and I did together this morning. The question was put quantitatively, asking us to place our level of concern on a scale of 0 to 10. Ray answered "8 or 9" and I said "about a 3." But, my level of concern is still significantly higher than that of the Bush Administration, which at least publicly is rating the risk at about a 1, or the U.S. press, which is rating it at zero.

What, then, are the implications for American policy? I don't think that the Sino-Soviet summit will carry any immediate implication for the United States. We have already expressed a conditional welcome for the normalization in Sino-Soviet relations and I think that's about the right tack for us to have taken. We said that as long as an improvement in Sino-Soviet ties contributes to peace and stability in East Asia we welcome it and have no objection to it. I think that position is exactly correct.

But, I also believe that the concerns that we have expressed here should be conveyed privately to both the Chinese and the Russians. We should let them know clearly the conditions under which their improved bilateral relationship might be of concern to the United States.

More generally, I think that our discussions today have raised some broader issues for the United States to think about. The improvement of Sino-Soviet relations simply reinforces the need for us to pay attention to some broad trends in the region and some fundamental problems here in the United States.

First of all, we need to manage the American economy well and the Western economy well, since, as Banning Garrett suggested, an economic crisis is one of the contingencies that could push China and the Soviet Union closer together.

Secondly, we need to formulate our own proposals on arms control and regional conflicts in Asia, and then to try to gain China's support to the greatest degree possible.

Thirdly, we will have to pay a great deal of attention to the management of U.S.-Japan relations, since a break in the U.S.-Japanese alliance and the resurgence of Japanese military power would also be one of the contingencies that might promote a further Sino-Soviet rapprochement. The issue is important, even though the probability of a break in U.S.-Japan relations is still relatively low.

And fourth, I would suggest that we also need to pay greater attention to managing the bilateral aspects of U.S.-China relations.

Sino-Soviet confrontation will no longer buffer the tensions in Sino-American relations that I think are inevitably going to develop with more force over the next 10 years.

All these recommendations could well be made on other grounds than the improvement in Sino-Soviet relations. But, they are recommendations to which the current state and future prospects of Sino-Soviet relations give even more weight.

Dr. GELMAN. I think the tour de force we just heard was well up to Harry's standard. It was very good indeed.

I have a couple of points I'd like to press and explore further.

I agree with the suggestion that there is a substantial chance we will see a Sino-Soviet border agreement in the next decade. I think that sounds right. There are still problems, important problems. Given another decade and in view of all the things that have happened in the last decade, yes, I think so.

I think I would also, however, add that other things are likely to go along with that which Harry didn't spell out. I think that as this occurs, if it occurs earlier in the decade rather than later, it will accelerate the chance of substantial additional Soviet force withdrawals in the Far East.

And I already think there is a not inconsiderable chance we're going to see additional unilateral Soviet reductions, over and above the promised 200,000 man reductions, despite all the problems I raised, and despite the Soviet military's reluctance, simply because of the magnitude of Soviet economic problems.

If these two things happen in conjunction, I think they will have sort of fallout elsewhere, particularly if still other things happen which are by no means very unlikely—that there will be a substantial reduction of the American presence in South Korea, for example.

If those three things happen, you're going to see an effect on the Japanese, and in consequence an increase in the Japanese propensity to spend money on the military, and this in turn could well influence the Chinese reaction. There could well be a chain reaction of events if certain things fall out together in a way that is possible—maybe not probable, but possible.

This could raise very considerable difficulties for us, with impact on the one contingency you raised by increasing tension between Japan and China, as well as between Japan and others.

Dr. HARDING. You mean that Japan would continue to spend as much money on the military and therefore be perceived as a threat?

Dr. GELMAN. No, I think the Japanese would become more alarmed and spend more. And I think they would spend more.

Dr. HARDING. If those three things happen, you think the Japanese would spend more?

Dr. GELMAN. Absolutely.

Dr. HARDING. Why? You may be right, but what's the cause and effect?

Dr. GELMAN. If the Soviet military threat to Japan per se remained while the American forces were withdrawing from Korea,

and while a Sino-Soviet military rapprochement were accelerated, the Japanese, I think, would react in that direction.

Of course, yet another variable could well be that a Sino-Soviet settlement of the border would eventually encourage the Soviets to relax and make concessions over the Japanese northern territories issue. This would, of course, work in the other direction in regard to Japanese military spending.

I just want to convey a sense that there are more permutations than you mentioned, some of which could have adverse consequences for us.

Dr. ELLISON. I would add my congratulations to Harry for an excellent job. I find it hard to believe we were that good. [laughter]

Two comments. One about the question of gaining leverage over the U.S. and the West even as they join the West. I think that's a superb concept and highly relevant to the view from both capitals of this process.

I wonder if you would add one other ingredient which I think was present in some of our discussions, and that is to gain leverage over some of the neighbors. One is reminded of the old adage when the elephants fight, run for cover. When the elephants make love, run for cover.

This situation is one in which the friendship between the giants is going to reduce the options of the smaller neighbors, and seems to be doing precisely that.

And there are some interesting categories there. It seems to me, for example—and it was mentioned—that during the period nadir of the relationship, they were throwing charges back and forth across the border about the exercise of colonial power over the peoples in their respective territories. Now a friendly relationship: the railroad being built from Urumqi to the Soviet border; the ease of movement across the border; an accommodation to China's claims to some presence and influence in Mongolia; the cooperation in seeking a settlement in Vietnam. All of this seems to have a very interesting set of implications for the neighbors. As the giants "make love" the pygmies are less safe—or at least less free.

The other question that I have may sound like quibbling about irrelevant interpretive questions. I really don't think it is. It's the question of precisely how you interpret the meeting in Beijing this week. I'm very much impressed by the crucial role of the Gorbachev policies in the event. It seems to be important because it may say something about the future prospects of the arrangement.

In other words, he is the person who broke the logjam. Certainly much was in place for that to occur. But as I said earlier this morning, I really do think you had to have a quite fundamental reevaluation of Soviet foreign policy for the precise events to occur that made this possible.

And if one does stress that, then what are the implications of it, both for the achievement itself and for the future of the relationship?

That leads to one related question, which is, in talking about why the process occurred (and you gave three main reasons) there was a tendency to homogenize those three for the two sides—the very process unavoidable, I recognize, of using major analytical categories. It seems to me the motivations on the two sides, as we've

emphasized in particulars, are substantially different. And that, too, like the question of Gorbachev's role, has importance for the future prospects of the relationship.

Dr. WHITING. I know there's a natural tendency to be sure we've covered all the worries that we want our readers to be concerned about, so let me lean in the other direction and suggest that there may be certain positive prospects here that you haven't addressed at all.

One of them has to do with the whole question of the term you used, joining the West. I don't like this term, the West, since the Japanese really aren't the West and they are the economic power in the Pacific Ocean. And as much as we don't want to admit it, they started the talk about the Pacific Basin organization, for whatever motivations, and the kinds of conferences, academic, semi-official and unofficial, that have been occurring in that Pacific Basin, to which the Chinese have been admitted as members and the Soviets have been admitted as observers. To speak of concerns in the Pacific about trade relations, resource access, and a future set of economic interactions, these should be facilitated by a Sino-Soviet detente that will still have Sino-Soviet rivalry within it, both on trade and the sense of any access to capital.

I don't see this quadrilateral cooperation developing in Siberia. I think there's still an either-or competition as to whether Japanese capital will go to China and/or to the Soviet Union, but not a quadrilateral sitting down of Koreans, Chinese, Japanese and Russians, and sharing in a North-East economic community, what they will do with their resources.

But in the past, the U.S. has tended to favor the Chinese and obstruct the Soviet participation in these Pacific economic discussions and access to the international organizations. I would consider it an advantage in the future that such favoring doesn't have to impact upon a relationship in Beijing or it doesn't have to be concerned with what will be the status of our relationship with Moscow.

It may genuinely be a turning, as the Chinese say, in the moment of history when the primacy of economics over security calls for different calculations and for mutual advantages within an admittedly competitive, not cooperative, arrangement.

And so I would subscribe to some of the points that John Hardt was raising earlier in trying to show how different sets of moves within each of these countries can relax the environment. And the considerations made by capital investment will be on profitability, not on politics.

Dr. HARDT. In terms of narrowing it, you may have intended to make it easier to comprehend, but some of the issues dealt with questions that are either regional, global or inter-communist-system relationships. And I think you formulated it broadly enough so that you might want to include those.

For example, if the common market in 1992 is going to be more a regional than a global development, or if Japan moves with other Asian countries on a regional basis, and not a global basis, this presents different protectionist problems. If the Soviet Union and the People's Republic of China join the global system including institutions as well as world markets, that would generally be considered

a more beneficial development for all concerned, not just as an act of faith, but because their integration into the global system is more likely to generate growth and improve standards of living throughout the world, including the developing countries. Whereas regional development is considered to be one of the clear and present dangers of world market restrictions and could lead to competition which may be economically and politically adverse to our interests.

Likewise, in looking at the Communist world, including the Soviet Union, China and Eastern Europe, the success of Poland and Hungary and Yugoslavia might be of very substantial positive importance. The reemergence of the Brezhnev doctrine might be a negative factor. So as we look at the Soviet Union, many of us think of the Polish Roundtable and think if this leads to a success in reforms it is going to really be a favorable factor for Eastern Europe and for the Soviet Union; but, if it's a failure, it's also going to impact on China as well.

So that's another point you've made, but I would extend it to the positive side as well, because I think there is a possibility that Poland and Hungarian developments will be successful. And they might have favorable impacts.

Dr. WILHELM. One of the things that this conference didn't deal with very much, although a couple of people did raise the point, is the fact that the two sides are going to have party-to-party relations as a result of this summit. The Chinese don't prognosticate or talk about the Communist Party much in private. On those rare occasions when they do talk about Party relationships, those who are devout Party members suggest that the Party in the future may take a very different turn from what some in the West have expected.

If some of these people are correct and these two powerful parties do well together, there is a notion of ideological evolution that does not necessarily parallel the best interests of the United States.

The Chinese do not necessarily perceive the United States' best interests as being China's best interests. And a condominium of political parties could have long-term implications for the West that need to be closely watched.

Ms. DUMBAUGH. I want to thank all of the panelists for an excellent set of presentations and a lively discussion. We are very appreciative of all your efforts. Thank you very much.

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